Khashoggi

arrested in

connection

deals

with Marcos

### World News Indian train crash leaves 35 dead and 100 injured

An express train jumped the tracks near Jhansi, Uttar Pradesh state, central India, killing at least 35 people and injuring more than 100. Many of the injured taken to hospital were in critical condition. A Central Railway spokesman said 12 carriages of the New Delhi-bound Karnataka Express derailed and warned death toll could climb.

Paris to cut jobs France's Socialist Government is planning to cut state jobs in an attempt to trim the bud-get deficit. Page 3

Wright defence Jim Wright, Speaker of the US House of Representatives, opened his defence against wide-ranging ethics charges.

**World Bank Joans** World Bank is set to approve loans to Poland of about \$250m.

Prague perestroika. Milos Jakes, Czechoslovak Communist Party leader, promised a "perestroika" in his country to restructure the economy. Page 3

Eta leaders expelled Six Basque separatist guerrillas, including three who took part in secret talks with the Spanish Government in Algiers, have been expelled from Algeria. Page 2

Jordan price riots

Riots over price rises erupted in the south Jordan town of Ma'an and at least 17 people were injured as some 4,000 angry people attacked shops and set cars on fire. Page 4

Coalition leader

Austria's conservative People's Party, junior partner in the Socialist-led coalition govern-ment, nominated Mr Josef Rie gler, Agriculture Minister, as its new leader. Page 2

Mugabe measures President Robert Mugabe announced measures to liberalise Zimbabwe's economy in a bid to encourage investment. and reduce soaring unemploy-

Australian \$ slides Australian dollar slid on the foreign exchanges after worse-than-expected balance of payments figures for March underlined the deterioration in the performance. Page 4

Swapo peace threat Timetable for removing South African troops from Namibia will be abandoned unless all Swapo guerrillas in the terri-tory withdraw, according to Foreign Minister Pik Botha.

Shamir in Budapest Yitzhak Shamir, Israeli Prime Minister, arrived on a surprise visit to Budapest for talks with Hungarian leaders expected to focus on the Middle East and a resumption of diplomatic ties. Page 3

Violence in Patna Eight people died and at least 39 were injured in clashes between Hindus and Moslems in Parna, northern India.

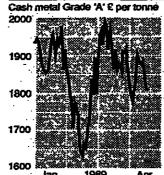
W Germany flights US is to halve the period of low-level military training flights over West Germany.

# **Business Summary**

### **GPA** places \$16.8bn order for airliners

GPA, Irish leasing company and the parent of Guinness Peat Aviation, amounced the biggest order for commercial airliners ever placed, with a proposed purchase over 10 years of 308 airliners valued at \$16.8bn. The largest part of the order, \$9.4bn, will go to Boeing of the US. Page 26

COPPER prices continued Monday's retreat on the LME Copper



Jan 1989 yesterday, cash metal shedding £53.50 to £1,804 a tonne. Com-

modities, Page 34 GATEWAY, UK's third largest food retailer, became the subject of a £1.73bn (\$1bn) bid battle as an institutional-backed consortium announced a lever aged offer. Page 27

NIXDORF, troubled West German computer company, plunged into an operating loss last year, but managed to achieve a sharply diminished net profit. Page 26

DOW Chemical and Kli Lilly of the US are combining their agricultural chemicals businesses into a new company to rank about fifth in the world market for herbicides and pest control chemicals. Page 27

DEUTSCHE Babcock, West German engineering group, said incoming orders in the six months ended March, 1989 had risen by 2.2 per cent DM2.6bn (\$1.38bn). Page 28 CARREFOUR, leading French

supermarket group, confirmed a 20 per cent increase in net profits last year to FFr911m (\$148m). Page 28 NACHI-FUJIKOSHI, Japan's

leading producer of cutting tools, to launch hydraulic equipment joint venture with Daesung Corporation, South Korean gas distributor/heavy equipment maker. Page 6

**BUSH Administration raised** objections to a Japanese company's proposed \$59m acquisi-tion of General Ceramics, New Jersey company involved in nuclear weapons technology. Page 6

RAMADA, Arizona-based company, once one of the best-known hoteliers in the US, is selling its chain of hotels for \$540m. Page 29

AUSTRIAN Airlines, which is about to launch a further issue of shares, plans to pay an increased dividend for 1988.

Page 28 DOFASCO. Canada's largest steel company, is buying all of Quebec Cartier Mining, one of the country's two biggest iron ore producers, to assure future raw material supplies.

Page 29 GIORGIO Garuzzo, chief executive of Iveco of Italy, West Europe's second largest truck maker, called for temporary protection for European com-mercial vehicles industry from

Japanese imports. Page 6 **BANQUE Nationale de Paris** (BNP), largest French state-owned bank, reported 8 per cent increase in group net profits to FFr3.06bn (\$480m) for 1988. Page 28

SCHINDLER, Swiss lifts group, which ranks as world leader behind Otis of the US, reports a strong increase in profits for 1988. Page 28

Landons

# Mitterrand appeals for concerted action on Lebanon

By George Graham in Paris and Andrew Gowers in London

PRESIDENT François Mitterrand of France has appealed to the leaders of Britain, the US, the Soviet Union, Spain and several Arab countries to join a concerted effort to halt the fighting in

In a series of telephone calls over the past two days, Mr Mit-terrand has asked the leaders to support international action aimed at putting an end to heavy shelling in Behrut, which has left about 270 dead and nearly 1,000 wounded in the

The Elysée Palace also said Mr Mitterrand would discuss Lebanon today at a scheduled meeting with Mr Helmut Kohl, the West German Chancellor. Mr Mitterrand's moves coincided with the first stirrings of wider international interest in trying to stop the carnage in Lebanon. In Washington, the State Department has sharply criticised Syria's role in the lat-est fighting. Yesterday, Mrs Margaret Thatcher, the British

terpart, Mr Nikolai Ryzhkov. British officials said she asked Moscow to use its influence to press Syria for restraint. French officials declined to give details of the President's initiative, which follows a confused and controversial attempt to assist Lebanon's Christian community last week. Diplomats in Paris said it was probably focused on some form of joint humanitarian aid, with attempts to

past week - pitting Christian forces under the command of Gen Michel Aoun, the army chief, against Syria and its Lebanese Moslem allies - have been among the fiercest in Lebanon's 14-year civil war. Arab League Foreign Ministers agreed yesterday to hold an emergency meeting on the cri-sis in Tunis on Friday.

France's Western allies maintain that the Arab mediation, led by Kuwait, should remain in the forefront of efforts to end the fighting. Despite appeals from Gen

(\$1.2bn) building a 200,000 cars-a-year assembly plant near Derby in the English Mid-

lands, the biggest single Japa-nese investment ever made in

West Europe.
Surprisingly, Toyota has delayed making a decision about the location of a related

engine plant, but Mr Junji Numata, managing director, said the UK was also the "lead candidate" for this project, which would involve an invest-

ment of a further £100m-150m.

The company is considering several alternative sites includ-

ing Burnaston, site for the

assembly plant, for the engine plant. Mr Numata said a deci-

sion would be announced in

The assembly plant will create some 3,000 direct jobs, but Lord Young, UK Trade and Industry Secretary, said it would create at least 3,000 additional jobs in the automotive compresses industry. The

tive components industry. The engine plant would create a further 300-500 jobs.

Lord Young said Toyota would not receive any state aid for the project, in contrast to the £125m government assistance provided to Nissan, Toyota's domestic rival, which is designed.

is developing a 200,000 cars-a-

year assembly plant in north-east England.

first West European vehicle

plant in the UK was welcomed

last night by the British motor

1.23m cars, but imports still accounted for 56.4 per cent of

the UK new car market and

the motor industry alone was

responsible for 30 per cent of last year's total UK visible

trade deficit of £20.34bn.

Last year the UK produced

the next two months.

Aoun, the US and Britain have been reluctant to intervene directly or to involve the UN Security Council. However, the scale of the violence has caused mounting concern in a number of capi-

tals, including Madrid, whose ambassador died in Sunday's shelling, and Washington. European diplomatic efforts have concentrated thus far on the possibility of mounting an EC aid operation, although France appears to have found it difficult to persuade the UK

together with other expansion projects, including Honda of Japan which has a production agreement with the Rover Group, could push UK car pro-

duction back towards 2m a

year by the late 1990s.

Lord Young said the Toyota plant would help redress the deficit in the UK trade balance.

Toyota said that construction of the plant would begin in the UK trade balance.

in the spring of 1990 with pro-duction starting in late 1992. The investment will be made

in two phases. Toyota is hop-ing to reach production of 200,000 cars a year by 1997/98. The first stage will involve an

investment of around £400m and will create 1,700 jobs.

Toyota said it is planning to build a 1.8 litre car range. This will take it into direct competi-

tion with European produced

Mr Numata said the com-

pany planned to sell some one-third of the production in the UK, and two-thirds in export markets, chiefly in continental

Under a voluntary agree-

ment with the UK Government

Toyota has agreed that it will aim to reach a 60 per cent local

content level by August 1993 and 80 per cent by mid-1995. Lord Young said that the

cars would be treated as UK-

built cars once commercial pro-

duction began in August 1993

and the 60 per cent local con-

tent was reached. The cars

would then be free to circulate

in the European Community

Following this week's climb-

Background, Page 10; Japan in the UK, Page 24

market as UK-built cars.

Continued on Page 26

£700m in UK car

By Kevin Done, Motor Industry Correspondent, in London

assembly plant

By Robin Pauley in London and John Wicks in Zurich MR Adnan Khashoggi, the Paris-based Saudi Arabian businessmen, was arrested in a Swiss hotel yesterday in con-nection with charges in the US alleging his involvement in illegal property and financing deals with Mr Ferdinand Mar-

cos, former President of the Philippines, and Mr Marcos's wife Imelda. The charges were said by the Swiss authorities also to relate to 11 "valuable" paintings missing from the Metropolitan Museum in Manila, capital of the Philippines, after Mr Mar-cos was ousted and fled the

country in February 1986. Mr Khashoggi, 53, is an old friend of Mrs Marcos. He is alleged to have bought the paintings from the Marcoses and resold them. The Government is now confident that the build-up of production by Toyota and Nissan,

Mr Khashoggi has always strenuously denied the charges and has previously said he will defend them vigorously. Mrs Marcos has already been arraigned in New pleaded innocent and released on \$5m bail put up by Ms Doris
Duke, a US tobacco heiress.
A US Federal judge ruled
this week that Mr Marcos, who is in hospital in Hawaii, is too

ill to stand trial The Swiss police and Ministry of Justice said Mr Khashoggi was being "provisionally detained" in a local prison pending consideration of an extradition order.

The US has up to 60 days to file a formal request for extradition Mr. Whenever in apply.

dition. Mr Khashoggi can apply to the appeals chamber of the Swiss Federal Court for release within 10 days of the detention

Mr Khashoggi is a central figure in charges put together by Mr Rudolph Giuliani, former US attorney for the southern district of New York. The charges allege, among other things, that Mr Khash-oggi and others were involved in procedures designed to con-ceal the fact that the Marcoses were also owners of properties which were allegedly bought with more than \$100m embez-zled, stolen, purloined and diverted to the Marcoses' personal use from the Philippines Government.

the charges on which Mr Khashoggi has been detained are 20 years' jail for racketeering offences and 15 years in jail if found guilty of obstructing Continued on Page 26 Trapped by his own lifestyle,

0

The maximum penalty under

## Prime Minister, raised the issue during a meeting in Luxembourg with her Soviet counarrange a ceasefire in the back-The artillery duels of the Troops repel march by Toyota to invest Peking students on

**Communist Party HQ** By Our Foreign Staff

THOUSANDS of Chinese students tried to force their way into the Communist Party way into the Communist Party headquarters in Peking early this morning shouting for the Premier as they chanted: "Come out, come out, Li Peng". They were turned back by troops, according to reports from the Chinese capital.

Calling for democratic freedoms and cheered on by about 5000 onlookers, they surged

soms and cheered on by about 5,000 onlookers, they surged against the gates of the heavily-guarded Zhongnanhai Compound, some singing the communist anthem, The Internationale.

Troops on guard snatched a giant wreath the students were carrying in memory of Hu Yao-bang, the former Party General Secretary, who died on Satur-day, and blocked the entrance with it, while officials tried to calm the crowds.

Students shouted for the country's paramount leader, Deng Xiaoping, chanting

with corruption" and "long live democracy," echoing the post-ers which have appeared on campuses across the country since the death of Hu. The protest came on the fifth day of mounting unrest follow-

ing Hu's death which has seen daily demands for a return of the liberal policies for which the 73-year-old leader was sacked in 1987. This is certain to increase pressure on the leadership which is already split over crucial issues such as who shall succeed the ageing Deng and how to handle inflation and

growing social unrest. The demonstration began yesterday with several thou-sand excited students urging government to reasse Hu's record, reaffirm the val-ues of freedom and end the ban demonstrations in Peking. They were joined by thousands of sympathetic workers, teach-

memory, staged a vigil outside the Great Hall of the People, China's parliament building, and presented a seven-point list of demands to a government spokesman. After letters of support from other universities were read, Peking University students called for constitutional rights to be upheld and personal freedoms guaranteed. Standing beneath a banner which read "Hu Yaobang

lives", one 20-year-old student said he had been at the demonstration for five hours and intended to stay all day. "I want to be part of this because Hu Yaobang stood for all the things we believe in", he said. "Li Peng is different. He is a conservative, but we need more democracy and human rights, not less".

An official mourning cere-

mony will be held on Saturday, at which Hu's sucessor, Zhao Ziyang – himself in trouble with conservative opponents -They laid wreaths in Hu's is due to make a major speech.

# US stocks and bonds rally on signs of housing market fall

By Anthony Harris in Washington and Janet Bush in New York

US STOCKS and bonds railied strongly yesterday as evidence of weakness in the housing market and lower-than-expected consumer price inflation figures soothed fears of higher US interest rates.

The issue of new housebuilding permits fell 14 per cent in March to an annual rate of 1.22m, the lowest figures since October 1982. This was 17 per cent below the corresponding figure for 1988. The figure is considered the most accurate of US housing statistics, and is regarded as the most reliable forward indicator for the US economy. for the US economy.

er-term indicator, fell 5 per cent in March and 9 per cent from 1988, mainly beca declining activity in the previously booming north-east. The Consumer Price Index rose by 0.5 per cent in March which was at the bottom end of market estimates. This brought the annual consumer price inflation rate for the January-March quarter of 1989 to 6.1 per cent, or 5.6 per cent excluding volatile food and energy prices.

The sharpest increase in March was in clothing prices, which rose 1.4 per cent, but which were depressed through much of 1988. The market may regard this increase as a oncefor-all adjustment rather than

Both the housing figures and the CPI helped to put an end to fears that the Federal Reserve might have to raise US interest

might have to raise US inverest rates further.

At midsession, the Dow Jones Industrial Average was quoted 34.09 points higher at 2,371.88, a new post-October 1987 crash high. Its previous post-crash peak was 2,347.14, the close on February 7.

The US Treasury bond market jumped by a full percent-age point at the long end of the market, taking the yield on the benchmark long bond down to 8.95 per cent. This is the first time it has traded below 9 per cent since early February. Yesterday's gains added to

release of last month's pro-The structure of short-term interest rates now shows that the bond market is already pricing itself for lower interest rates, although most analysts believe that an easing of policy

rallies on Friday after the

is still some way off. is still some way off.

The dollar, which has been propped up all year on anticipation of higher interest rates, fell yesterday to day's lows at midsession of Y131.35 and DM1.8520, compared with Y132.25 and DM1.8670 earlier. Markets. Section II

# US court to hear Minorco bid

By Clay Harris in London

ANGLO AMERICAN and De Beers, the South African mining groups, yesterday offered to submit themselves, for one case only, to the jurisdiction of US courts in a last-ditch effort to salvage the £3.5bn (\$5.9bn) takeover bid by Minorco, their Luxembourg subsidiary, for Consolidated Gold Fields, the UK-based mining and aggre-

gates group.

The main arms of the Oppenheimer empire, which has taken great pains to remain outside the reach of US law, allowed Minorco to put for-ward on their behalf a 10-year guarantee that they would not buy the three stakes in mining companies which Minorco pro-poses to sell if it wins Gold Fields. Anglo and De Beers said they would post bonds of

\$100m each.
The New York hearing on Minorco's latest proposal will not be held until next Monday afternoon, less than 48 hours before the takeover bid closes in London. Anglo and De Beers made

their move after US District Judge Michael Mukasey late on Monday left in force an injunction which forbids Minorco from buying any more Gold Fields shares.
In the wake of that ruling, but before Minorco's latest

offer was made public, Gold Fields shares plunged yester-day to close 58p lower at £12.90. This compares with the £15.32 value of Minorco's cash-and-

Judge Mukasey's ruling made clear that the refusal of Anglo and De Beers, who were named as defendants, to appear in court was a central issue in the question of whether Minorco's undertak-ing to sell Gold Fields' stakes in Newmont Mining, Renison Goldfields Consolidated and Gold Fields of South Africa would be enforceable. Continued on Page 26 Lex, Page 26

CONTENTS Pakistan's economic crisis is



hidden under a pile of debt Ms Benazir Bhutto, Pakistan's Prime Minister, took office amid immense international goodwill, every ounce of which will be needed today when unprecedented and much-needed \$3bn Page 4

European Community: Strategy behind cartel-busting moves in the soda-ash industry .....2 Management: How Benckiser remains competitive without outside finance Technology: Into the era of the intelligent telephone ... Editorial comment: Banks' reply to Brady; Muddled goals in France -Japanese in the UK: Mixed reaction to the

Lexs Gateway; GPA; Consolidated Gold Fields;

Alan Bonds Rapidly declining fortunes of Aus-Commodities .

tralia's brashest businessman .... Financial Futures 48 Raw Materials Stock Merkels -Wall Street ...... -London ... Unit Trusts World Index

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MARKETS

INTEREST RATES Federal Funds 934% 

(98-12) yield: 8.94% (9.046) 3-month interbank

\$1,7180 (1.7150) DM3.1825 (3.1850) FFr10.7800 (same) SFr2.7975 (2.8075) Y226.00 (226.25) DOLLAR New York lunchtin DM1.8525 (1.8610) Feb 1989 Apr SFr1.62725 (1.6406)

STERLING.

\$1.7170 (1.71345)

144.55 (Mon) Tokyo Nikkel Ave. Franklurt Commerzhank 1734.5 (-6.7) GOLD New York latest \$19.60 (+0.20) (May) West Tex Crude \$387.5 (387.5) \$21.325 (+0.44) (May)

STOCK INDICES New York lunchth Dow Jones Ind. Av. 2,375.37 (+37.58) S&P Comp 305.95 (+4.23) FT-SE 100 2,074 (+19.7)

33,321.66 (19.33) -Brent 15-day (Argus)

the country's leaders ask aid donors for an Arta-Reviews -World Guide

new wave of inward investment ......

William Dawkins looks behind alleged cartel-busting moves in the soda-ash industry

ower they wield.

DG-IV has around 80 to 90

"A" grade officials - roughly equivalent to decision-making

rank in a company - split into five semi-independent mini-di-rectorates, responsible for all aspects of competition policy

from merger control through anti-cartels to controlling state

aid. Three of these are specifi-cally responsible for enforcing Articles 85 and 86 of the Treaty

of Rome - which ban anti-competitive agreements and abuses of dominant positions

in their various sectors.
 The biggest and busiest,

known as Directorate C, the one that deals with chemicals, can include up to 40 officials, the lion's share of DG-IV. They

HE European Commis-sion's cartel-busting department is forced to tread on national and corpotate sensitivities nearly every day, in a variety of industries, in its role as enforcer of Com-munity competition law.

Executives in the chemical industry sometimes admit to feeling victimised by them, though of course the depart-ment's officials vehemently deny picking on anyone. But the fact is that chemi-

cals companies have been the subject recently of four of the most important dawn raids staged by Commission inspec-tors. They do have the right under EC competition law to make unannounced visits to examine and seize documents at suspects' premises, though several chemicals producers are challenging this in the European Court of Justice.

The biggest recent targets by the commission include cartels the commission include cartels in three widely used plastics – polypropylene, low-density polyethylene and polyvinyl chloride. A few months ago the commission fined a group of chemicals producers Ecu60m (139m) for their part in the polyethylene and PVC cartels.

The chemicals cases are pri-

The chemicals cases are primarily why Commission fines imposed on cartels rose from Ecu7.6m in 1987 to a record Ecu80.7m last year. The previous record, Ecu66m in 1986.

COMMISSION COMPETITION I	FINES 1988
Concern	Ecu miliions
British Dental Trade Association	0.10
British Sugar	3.0
Danish Fur Breeders' Association	6.50
Sabena	0.10
BPB Industries (British Plasterboard)	0.15
British Gypsum	3.0
fisilan fiat glass producers	13.4
PVC producers	23.5
Low density polyethylene producers	37.0
TOTAL	80.75

was almost totally accounted being tougher and less dip matic than their colleagues in the less visible parts of the Brussels bureaucracy, a reflec-tion of the wide constitutional for by the Ecu58m of penalties that year due to the polypro-pylene investigation (see

Brussels is taking a tough stance in the area of price fix-ing if only because it is uncomfortably aware of the vastly increased market-distorting power cartels could exert in a

power cartels could exert in a post-1992 Europe in which trade barriers no longer exist.

Some parts of industry – such as steel and artificial fibres – still benefit from vestiges of market protection authorised by the EC during the last recession at the turn of the decade. But they are scheduled for demolition in the Community's single market plan. munity's single market plan. This is how Brussels catches up with the rest:

Officials in the Commission directorate general responsible, DG-IV, have a reputation for

(Ecu militons) 1976	_		DG-IV FINES
1976 0.385 1977 0.255 1978 0.10 1979 7.20 1980 1.10 1981 3.78 1962 2.93 1983 1.80 1984 23.71 1985 12.75 1986 65.57 1987 7.58	<b>.</b>	YEAR	
1977 0.255 1978 0.10 1979 7.20 1980 1.10 1981 3.73 1962 2.93 1983 1.80 1984 23.71 1985 12.75 1985 65.57 1987 7.58			(Ecu millions)
1978 0.16 1979 7.20 1980 1.10 1981 3.73 1982 2.93 1983 1.80 1984 23.71 1985 12.75 1985 65.57 1987 7.58		1976	0.385
1979 7.20 1980 1.10 1981 3.73 1962 2.93 1983 1.80 1984 23.71 1985 12.75 1986 95.57 1986 95.57		1977	0.255
1980 1.10 1981 3.73 1982 2.93 1983 1.80 1984 23.71 1985 12.75 1986 65.57 1987 7.58		1978	0.16
1981 3.73 1982 2.93 1983 1.80 1984 23.71 1985 12.75 1986 65.57 1987 7.58			
1962 2.93 1983 1.80 1984 23.71 1985 12.75 1986 65.57 1987 7.58		1980	1.10
1983 1.80 1984 23.71 1985 12.75 1986 65.57 1987 7.58			
1984 23.71 1985 12.75 1986 65.57 1987 7.58			
1985 12.75 1986 65.57 1987 7.68			
1986 65.57 1987 7.58			
1967 7.58			
1088 80 75	₹ .		
in 1988 80.75	_		
	in-	1988	80.75

are typically lawyers or economists in their 30s, working under senior divisional directors. They clearly relish their role as guardians of free com-petition in their specialised

An anti-cartel inquiry can only start with the authorisa-tion of the Commissioner for Competition Policy, DG-IV's political controller. The request from DG-IV to open an investigation can originate in any number of ways, including a tip-off from disgruntled buy-ers or suppliers, press rumours or the Commission's own

industry monitoring.

Normally two to three officials will co-ordinate an inquiry, but will call in support if they need to launch a dawn raid, reserved for the most seri-

By John Lloyd in Moscow ous cases. DG-IV used 30 inspectors for its unannounced simultaneous visits last week on the eight businesses across Europe involved in the alleged

soda-ash cartel.

On the whole, officials reckon that raids like this are fruitful, so long as they have done enough homework to know clearly what documents they are looking for. Sometimes they are lucky, such as when one ICI executive left a pile of documents relating to a lastics cartel on his window

But that kind of slip gets rarer as more companies and their lawyers get wise to falling foul of EC anti-cartel laws. Some legal firms have developed so-called "compliance packages" on how to obstruct Commission impectors during dawn raids without breaking

the rules. Common techniques include insisting that officials go through long legal procedures before getting their hands on documents, the nearest thing, says one observer, to "a constructive refusal".

The signs are, say Brussels lawyers, that procedural wrangling will become a more widely used defence against dawn raids in the future. A second article on cartels and the chemical industry will appear on the European News pages later this week

### Soviet report points to price worries

THE Soviet Union is experiencing the pains of a freer market without tasting many of its fruits, a group of senior Soviet scholars has concluded.

A discussion this week at

senior sower scholars has concluded.

A discussion this week at the Academy of Social Sciences in Moscow and published yeaterday in the Socialist Industry newspaper revealed strong concern over inflation, shortages and higher prices — but also conflicting solutions. One participant, historian V Fedin, said "the gap between the reality and ideal of socialism is no smaller now than three years ago."

Statistics revealed at the meeting included:

About one quarter of Soviet national income — 125bn ron-

national income — 125bn rou-bles (about £125bn) or rs678 a head — was spent on public social provision last year.

National income increased

by 4.4 per cent in 1988, while productivity rose 5.1 per cent. • Personal savings in bank deposits on January 1 1989 were ra297.5bn, up by 35 per cent since 1985. cent since 1985.

The number of co-operatives increased in 1988 from 14,000 to 77,500 by January. They employed 1.4m people.

Ministries had saved over rs1.5bn by end-1988 through the self-financing of enterprises they had funded.

# Italy rules out free access for UK Nissan cars

By Alan Friedman in Milan and John Grilliths in London

ITALY will not allow free to free distribution of the UK-ITALY will not allow free market access to UK-built Nissan cars despite a climbdown by France, which has agreed not to count shipments of UK-built Nissans against the quota that France imposes unilaterally on cars imported from langer.

A senior aide to Mr Renato A senior and to Mr Ranato Ruggiero, Italy's foreign trade minister, last night said that Rome has no plans to follow the French liberalisation move until there is a Europe-wide agreement on the matter of level content of January 2013. local content of Japanese cars produced in the European

produced in the European Community.

"Until there is a Community-wide accord we will continue to consider the Nissan Bluebird' as a Japanese product and not a European product," the official explained.

This means the Bluebird is to be considered part of the quota of Japanese cars allowed into Italy.

dura of Japanese cars anowed into Italy.

With the French acceptance that, under existing EC rules, UK-built Nissans are entitled to unrestricted market access, Italy has thrust itself unexpectable and the other cars.

There is now a possibility that French vehicle makers. who bitterly opposed the French Government's climb-down will seek to stoke the controversy into new life.

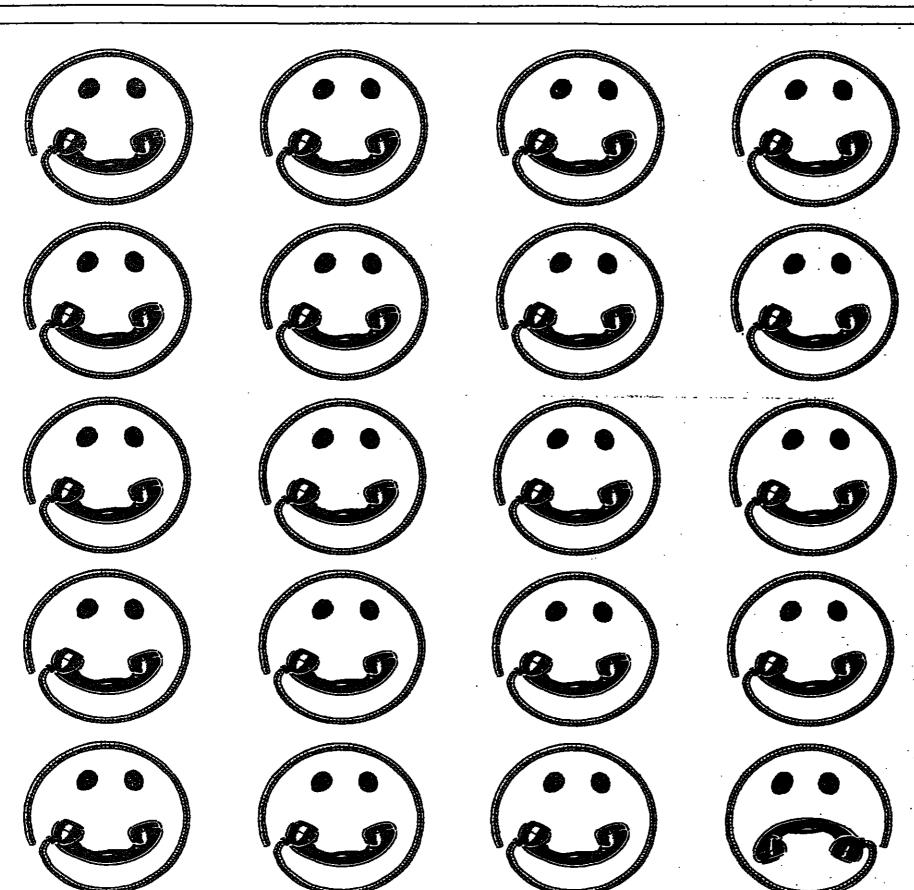
Italy appears to have decided to ignore the prime reason for the French climbdown: that the only existing EC local content rule provides for a vehicle to be counted as "European" if the last substantial manufacture in the last substantial in the last substantial manufacture in the last substantial in the last substantial in the last substantial manufacture in the last turing operation takes place inside an EC country.

Italy restricts the number of direct Japanese car imports into Italy to around 2,500 a year and a further 14,000 Japa-nese cars may be brought into Italy from elsewhere in

Europe.
Flat, the Turin-based group which controls 60 per cent of the Italian car market, said it had no comment to make on the Rome Government's posi-

UK-built Nissans are entitled to unrestricted market access, Italy has thrust itself unexpectedly into the limelight as the list bastion of overt opposition

HOLD THE Camillo Fre. a Flatspotent with the Nissan Bluebird consists of 80 per cent European components."



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our payphones to automatically tell us when they are full or out of order.

TELECOM

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# **Hungarian Communist** Party loses members

By Leslie Colitt in Berlin

THE decision a year ago to an economist, spoke at a meet-expel four prominent reformers in gof party reformers in Kec-from the Hungarian Commu-skemet but indicated they expel four prominent reformers from the Hungarian Communist Party was reversed this week but it appeared doubtful that they would rejoin the Party which has lost a record number of members.

The four – Mr Zoltan Bro, Mr Mihaly Ribari, Mr Zoltan Kiraly and Mr Lazlo Lengvel – were expelled because of their close contacts with the

their close contacts with the reform-minded Hungarian Democratic Forum.

They were ousted under the former Party leader, Mr Janos Kadar, who was voted out of office shortly afterwards. Mr Biro, a writer, and Mr Lengyel,

would not rejoin the party.

In the first three months of this year, 23,000 members left the party while only 2,000 people applied for membership. Last year, 83,000 members left of whom 88,000 went of their own accord. There were only own accord. There were only 13,000 new admissions and Party membership sank to a

low of 780,000.

Many of those who resigned believed the party was reforming too slowly. Others left in protest against the falling stan-dard of living and the introduction of a multi-party system.

# Luxembourg flies the flag of independence

By Tim Dickson in Luxembourn

THE sentiment may not be tive atmosphere of calm. der in France but true Luxembourgers always said there was just one historical event worth celebrating this year.

That is the 1839 Treaty of London which marked the political independence of their tiny nation state from King William of the Netherlands and whose 150th anniversary they remembered in colourful style

on Monday.

Once the helpless pawn of its powerful but generally squabling neighbours, Luxembourg has recently played a role in European affairs which belies the fact that it is roughly the same size as a typical English county (just 999 square miles and 372,000 inhabitants).

As if to prove the point, all heads of Governments of the original signatories of the 1839 Treaty turned up for the festivities. Among them were Mr Nikolai Rhyzkov, President of the Council of Ministers of the Soviet Union, who is on a three-day state visit to the three-day state visit to the Grand Duchy, Mrs Margaret Thatcher of the UK, Chancellor Helmut Kohl of West Germany (though he made his excuses and left at lunchtime), Prime Ministers Lubbers and Martens of the Netherlands and Belgium, Mr Michel Rocard, the French Prime Minister and Chancellor Vranitzeky of Aug. Chancellor Vranitzsky of Aus-

Chancellor Vranitzsky of Austria (batting as it were for the Austro-Hungarian empire).

Wedged between the grandfatherly figure of the Grand Duke Jean and her closest European ally Mr Ruud Lubbers - if not a safe distance from the relaxed and smilling European Commission President, Mr Jacques Delors - Mrs Thatcher appeared to enjoy the garden party atmosphere of the main flag raising ceremony (red, white and a rather garish sort of turquoise blue). Only a noisy Chinese airlines jet passing noisy Chinese airlines jet pass-ing overhead - Peking's pique perhaps - disturbed the seduc-

widely shared across the bor-der in France but true Luxem-however – the most prosperous people of Europe on a GDP per head basis - appeared to be more curious than enthusiastic about Monday's goings

More than 27 per cent of them are in any case foreign, ranging from Portuguese immi-grants who came in the sixtles to well-heeled bankers who form the core of the country's thriving financial services industry (around 150-fully fledged banks and at least twice as many investment funds).

One real Luxembourger - as well as a real banker - conwell as a real banker – confessed to being "pretty depressed" by the celebrations. "The way in which we are being forced to impose a withholding tax by our EC partners – which I do not incidentally think is a good idea – makes our boasts about independence a bit of a joke. In any case. I object to all the any case. I object to all the parties being held at the tax-payers expense - all they do is help the Government's chances

neip the Government's chances in the June elections."

While the Luxembourger in the street may not be greatly concerned, the Grand Duchy's leading historian Professor Gilbert Trausch pointed out that 1889 is, in fact, a painful date for some, symbolizing the pertition of the country into its present historically German present historically German speaking territory – though Luxembourgish is the official language – and the French speaking Belgian province of

speaking Beigian province of Luxembourg.

The "deep knife cut" imposed on the people, as the Professor describes it, caused great grief at the time but both sides seem to have got over it fairly quickly and in line with the pragmatism that explains their success index have since their success today have since "followed obviously without regrets, each of them, their own road."

### Algeria expels ETA members

THE Algerian Government yesterday expelled six leading members of the Basque terrorist organisation ETA following the breakdown of talks with the Spanish Government and a resumption of ETA violence in Spain, writes Peter Bruce in Madrid.

The six who had been in

The six, who had been in exile in Algeria, were flown to the Dominican Republic by the Spanish Air Force, accompanied by Algerian officials. They include Mr Eugenio Etxebeste, who earlier led the talks with the Spanish.

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### **EUROPEAN NEWS**

Nine face

charges

drug piracy

By Alan Friedman in Milan

MAGISTRATES in Milan

yesterday indicted nine people

accused of stealing biological materials and illegally manu-facturing Doxorubicina, an

anti-tumour drug and one of the most important products made by Erbamont, the Mon-tedison pharmaceuticals sub-

sidiary.

Montedison said yesterday

fake vials of the drug had been

found last year in the Nether-lands. Last November police raided the offices of Sicor, a company based near Milan that was accused of having sys-tematically stolen cultures, micro-organisms and technical

documents for the production of the anti-cancer drug. The copied drug was then allegedly sold by Sicor in the United States and Europe. Montedison

# Pöhl welcomes Delors proposals

MR Karl Otto Pöhl, president of the West German Bundesbank, yesterday gave a cau-tious welcome to the Delors Report on European economic and monetary integration, which he helped to draft, while warning strongly against

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euphoria.
Mr Pöhl criticised Mr Nigel Lawson, the UK Chancellor, who on Monday rejected the report on political grounds. Mr Lawson's comments were "not entirely understandable", in view of the fact that many of the assumptions in the report had been set out in the Single

European Act in 1987, he said. The Bundesbank president again drew attention to the UK's continuing absence from the EMS exchange rate mechanism, and noted the

"piquancy" of the fact that the Delors Report had been written in English, while the UK main-tained its distanced view towards European monetary

integration.

Mr Pohl took a strongly pragmatic view on implementing the report's findings, emphasising the German priority of "convergence" in monetary policies and warning against false hopes by building grand plans for now institute. grand plans for new institu-tions and monetary union at a time when some basic steps had still not been fulfilled. "We don't need new decisions or institutions. We must change and develop what we already have," he said. The biggest danger would be in raising false expectations among Europeans, which their rate policy, were only conceiv-

politicians were unable or able once such preliminaries unwilling to realise.

unwilling to realise.

Thus priority should now be given to realising monetary and economic policy measures which had already been agreed and which are part of the first stage of the report's three-stage timetable to monetary integration, rather than rushing into new arrangements. he argued. new arrangements, he argued. Such measures included full participation by the UK and Spain in the European Monetary System, and an end to the special wider exchange rate bands for the Italian lire.

The much closer co-ordination with the second and the second tion required in the second and third stages of the Delors Report, which would severely limit individual governments' freedom of action in exchange

had been complete Mr Pohl particularly wel comed the report's recognition of the positive role played by the D-Mark as an "anchor" in the EMS, which he saw as a terse reply to the frequent crit-icisms levelled at the Germans by some other member states for excessively tight money policies, which have held back growth in other EC countries.

He also praised the report for coming down against the development of a parallel currency in Europe, which had now been "once and for all dealt with", and for its cautious note on the role of the Ecu. The question of the Ecu had been "very, very, very, reduced, very cooly handled", in the report, he said.

### says sales of Doxorubicina are worth L380bn (\$278m) a year. Italian fusion

Prof Umberto Colombo, president of Italy's nuclear research agency Enea, yesterday reported a successful experiment in nuclear fusion. Unlike the Utah experiment disclosed last month, the Italians used no electric current to spark the reaction, a gas form of deute-rium instead of liquid, and tita-nium instead of palladium. Moscow 'still updating N-arms'

By David White, Defence Correspondent

THE US will provide Nato allies today with detailed information to support its claim that the Soviet Union, while attacking Nato plans for replacing short-range nuclear weap-ons, is itself continuing to

update its nuclear arsenal.

The aim of the US at the two-day Brussels meeting of the Nuclear Planning Group is to counter recent Soviet threats that Nato nuclear "modernisation" might under-mine the newly-started Vienna talks on East-West conven-tional force reductions.

The evidence is expected to show the Soviet Union has accelerated deployment of the SS-21 missile, equivalent to the Lance weapon which Nato military chiefs want to update,

that it has improved the guidance and booster systems on its Scud missiles in central Europe and has reinforced its aircraft capable of delivering nuclear bombs and stand-off missiles.

The Warsaw Pact has succeeded in determining part of the Nato ministers' agenda through its recent formal offer of negotiations on short-range nuclear weapons.

Attention will centre on the stance taken by Mr Dick Cheney, new US Secretary of Defence, attending his first Nato meeting. British officials have been concerned about signs of a softening in the US position on short-range nulear arms negotiations.

No firm decisions are due to

emerge from this week's meeting, which is to be followed by a Nato summit on May 29-30. The West German Govern-

ment, which has led the campaign to delay modernisation, will be represented by Mr Rupert Scholz, who was dropped as defence minister in a cabinet reshuffle last week. Mr Scholz has yet to hand over to his designated successor, former Finance Minister Mr

Gerhard Stoltenberg. On modernisation plans, the defence ministers are not expected to go much beyond the cryptic statement issued after the last Nato summit in March last year, which recom-mended that nuclear forces should be "kept up to date

# World Bank set to approve Polish loans

By Peter Riddell, US Editor in Washington

THE World Bank is set to approve within three to six months a series of loans to Poland running at a rate of about \$250m a year initially. The commitment could build up to more than \$400m a year. The World Bank's Interna-tional Finance Corporation subsidiary and Polish authorities have been identifying pos-

sible projects. Proposals are expected to come to the Bank's

executive board by mid- or late summer.
President Bush in a speech on Monday backed lending by

on Monday backed lending by the IFC, seen as providing the right political tail wind.

The main emphasis will be on projects producing a quick pay-off in improving efficiency and helping to restore exports, particularly in agriculture, particularly in agriculture, energy, transport and telecom-munications.

However, World Bank officials are reluctant to rush into large-scale commitments. The attitude of both the Bank and the International Monetary Fund depends on the Polish Government being able to present a credible programme of moves towards a market-based system within a strict fiscal and monetary framework. The World Bank has already

a sizeable programme if \$350m

loans to Hungary, which is regarded as further down the economic reform road. Mr Lech Walesa, the Soli-darity leader, and Gen Wojciech Jaruzelski, the Communist party chief, shook hands and conversed yesterday for the first time in seven years. "I feel satisfaction. We have come a very difficult and long way," said Gen Jaruzelski after the meeting.

# Hungary likely to renew ties with Israel

By Leslie Colitt in Berlin

MR Yitzhak Shamir, the Israeli Prime Minister, had talks yesterday in Budapest with Mr Karoly Grosz, the Hungarian leader, which are expected to lead shortly to full diplomatic

Hungary, whose 80,000-strong Jewish community is the largest in Eastern Europe, could thus become the first Warsaw Pact country to reopen ties with Israel since 1967 when Moscow and all its allies except

after the Six Day War. Hungary and Israel agreed in August 1987 to representatives in each other's capital and Mr Shamir made his first visit to Hungary last September. Mr Laszlo Kovacs, the Hungarian deputy Foreign Minister, said the talks in Budapest were an "important step" towards resuming diplomatic ties.

Hungary was prepared to re-establish relations with Israel now but "some obstacles" on the Israeli side still hindered

economic relations. Mr Kovacs returned last Sunday from Israel where he had talks with the Foreign Ministry. He said Hungary wanted Israel to liberalise import licences and lower tar-iffs for Hungarian goods.

Trade between Hungary and Israel rose by nearly \$8m last year to \$30m.

The Soviet Union and Poland are also expected to resume diplomatic relations with

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# France to cut state jobs to curb deficit

By lan Davidson in Paris

FRANCE'S Socialist government is planning to cut state jobs in an attempt to trim the budget deficit.

\*\*Comparison of the Prime of the property of the proper Mr Michel Rocard, the Prime Minister, has told spending ministers to cut jobs by 1.5 per

cent in order to reduce the defi-cit in 1990 to around FFr 90bn (£8.3bn), compared with FFr 100bn this year and FFr 115bn

The state employs just over 2.5m, implying job losses for 37,500 employees.

The Education Ministry, the biggest public employer with more than Im employees, has been exempted from the cuts and is receiving priority for the

The scale of the additional cost of the educational reform, and the publication of a FFr 90bn deficit for 1990, indicate that the Prime Minister intends to keep public spend-

ing on a tight rein. Moreover, it is clear the government is approaching a crunch over defence spending with a yawning gap between the cuts proposed by the Finance Ministry and the working assumptions entertained by the Defence Ministry.

# Seeking New Business **Opportunities**

After an extensive restructuring, Nissho Iwai is poised for a new era of growth. The group's President, Masaru Hayami explains.

By Brian Robins

GLOBAL INTEGRATION THROUGH OVERSEAS INVESTMENT



# Jakes pledges reforms for Czech economy

MR Milos Jakes the Czechoslovak leader, yesterday promised perestroika to shift his country's economy away from heavy industry, integrate it more fully with other socialist countries, give limited open-ings to the West and allow even more limited democratisation, firmly led by the Commu-

nist Party. Mr Jakes, in Moscow to con-fer with Mr Mikhail Gorba-chev, the Soviet leader, about common problems of restructuring and international affairs, id that rehabilitation of Mr Alexander Dubcek, the reformist communist leader effectively deposed by the Soviet invasion in 1968, was out of the question because "it would not be accepted" by the vast major-

He was unrepentant about the Soviet intervention, refer ring to it — as Soviet authorities still do, though rarely — as "internationalist assistance" which stopped "subversive activities" and the threat of civil war. However, he drew a sharp distinction between the post-1968 events in Czechoslovakia and those in Hungary after 1956. He said the Czech reinstatement of authority had been peaceful, 4,000 people had been rehabilitated and Mr Dubcek was free to speak his mind, on a pension and with his son completing university. Mr Jakes referred to ele-

ments which used perestroika as a mask for anti-regime activities and said "there are attempts to politicise people on the basis of religious faith".

### Robins: Nissho Iwai's medium by a further 45 per cent. term business plan "Challenge '88" has now concluded. How successful was it? Hayami: As you have stated,

Challenge '88 was launched in October, 1985, and recently concluded in March. Generally speaking, this business plan was comprised of two aims. One was to strengthen the financial structure of Nissho Iwai, and secondly to increase profitability. The first two years of this plan were met with many difficulties, due to the fluctuation in exchange rates between the Japanese yen and the US dollar. Write-offs totalled nearly ¥150 billion during this period, and we are considering writing off a further small amount for fiscal 1988. which will mark the end of the major write-offs of unrealised losses accumulated from previous years. Although Challenge '88 encountered many difficulties, it was concluded successfully.

### Active fund raising

Recently, our financial structure has been aided by new fund raising which began toward the end of last year. We launched a \$300 million warrant bond issue in November, and an \$800 million issue again in February.

At the same time, we have tapped the domestic commercial paper market and our balance outstanding is now approximately ¥500 billion. We have also turned to the Euro CP market for funds, raising another \$200 million.

Thus, our goal of improving Nissho Iwai's financial structure has been successfully accomplished and we are looking forward to continuing our efforts into this area. Although the wind has been

against us for much of Challenge '88, import activities and third country trade have been strengthened and in both of these areas business has risen remarkably. During this time Nissho Iwai's

total turnover exceeded ¥10 trillion for the first time last year and this year it should top Ill trillion. Profitability has also improved. The bottom was in 1987. when the head wind was the

strongest. Last year our operating

income improved 85 per cent, and

in the first half of this year, it grew

Thanks to low inflation, busi-

ness expenses such as wages, cost of sales and general management expenses have remained stable. In this regard, when turnover increases, earnings automatically

We have also expanded into new business fields, such as auto sales, property and construction. These new strategic areas are now beginning to bear fruit.

### Stress on domestic business, imports

Nissho Iwai's composition of business has changed. Our domestic business used to account for around 30 per cent of turnover. It now makes up nearly 40 per cent. Also, exports have declined to less than 10 per cent from more than 15 per cent of revenues in the past and imports make up about 30 per cent of the total, up from around 25 per cent previously.

We are not totally satisfied with this composition, however the general trend is in the right

Robins: What are the main

points of the new business plan? Hayami: Following our successful Challenge '88, we implemented from this month a new medium term business plan in the same spirit, Challenge '92. Our overall aim is to achieve the theme "Advance from Stability to Expansion". Now, we are looking forward to a period of steady expansion of

### Four key new strategies

In this context, we intend to pursue four main strategies. The first is to initiate specific strategic plans for particular areas of business such as chemicals, plastics, textiles and synthetic fibres. Foodstuffs is another important area. Traditionally, Nissho Iwai was considered a metals oriented trading company, therefore we are now working hard to boost our activities in the area of so-called soft goods.

The second is our regional strategy, to strengthen our domestic trade, in view of the continuing brisk home demand. We will also pay closer attention to our Asian activities. This effort has already begun, with the first Asian Strategic Conference held in January in Bangkok, attended by top management throughout the Asian region. This regional strategy places special emphasis on expanding trade with NIES, ASEAN, India, Pakistan and so on.

The third is our financial strategy, and the fourth, which is of most importance, is our investment strategy.

Robins: What about the group's financial strategy?

Hayami: In broad terms, we will try to boost our net worth to above \$200 billion as soon as possible. It is ¥126 billion at present. We believe that this goal is attainable, as our equity price is strong and the conversion of warrants issued recently is underway. We are also discussing plans to issue convertible bonds and perhaps make

a public offering. By doing so, we strategy is the objective to diversify should be able to lift our net to our overall trading activities. more than ¥200 billion.

Robins: For the long term development of Nissho Iwai, investment strategy is of greatest importance. Can you provide some

Hayami: We have taken two new initiatives. One is the establishment of the M&A Promotion and Coordination Office, which will facilitate our M&A activities. We established this office in December of 1988.

### M&A to strengthen trade

Every division of our existing business groups is trying to boost investments, which will permit an expansion of trade in the future.

In the Foodstuffs Division for example, we bought a 50 per cent interest in a very famous West German cereals group, Krohn and Co. to strengthen our activities in this area. It has a turnover of ¥200 billion. We also invested in a Hong Kong-based investment company, Asian Oceanic Holdings, Ltd., whose major share holder is the US insurance group CIGNA.

Also recently, we concluded negotiations to take a 15 per cent stake in the famous European Sports Products Group which manufactures under the wellknown names of Head, Tyrolia and Mares. Along with these moves, we are now negotiating two or three investment opportunities with other multinational entities. Underlying our investment

Secondly, as part of our broader ambitions in these areas, in February we established a new Group for real estate and construction. We are participating in several projects in the UK, USA and Asia, and we are moving into investments in hotels and condominiums. This Group is also actively seeking domestic opportunities as

Robins: Globalisation of management is an increasing theme in Japan. What are your views?

Hayami: Globalisation is an important part of Nissho Iwai's strategy. As a trading company, we have been developing our global strategy with a broad vision. By recruiting high quality local staff, well paid with authority, we have made much progress in the localisation of our overseas operations. In Europe and the USA for example, our subsidiaries operate as an American or European entity. Our subsidiaries and affiliates now total over 350. On a consolidated basis. our business has improved remarkably, also reflecting the boom in the domestic economy, particularly in the metals and steel areas. Through our efforts to globalise management, we can look forward to continued growth in the Nissho Iwai Group.

Robins: Lastly, considering the increasing economic strength of Japan, what initiatives have been undertaken by Nissho Iwai in the field of community service?

Hayami: We are seeking to reaffirm Nissho Iwai's corporate image throughout our entire international network, strengthening our employees pride and the respect of our customers and host communities. We recently established the Nissho Iwai Foundation with an initial donation of ¥200 million last year and we intend to match this donation annually. The Nissho Iwai Foundation is assisting several projects including sponsoring foreign post-graduate students seeking to study at the International University in Niigata. Also, through this fund we are contributing to overseas research institutes including the Brookings Institution in Washington, D.C. and Johns Hopkins University.

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# Latvia plans to shake off Moscow yoke

By John Lloyd

LATVIA'S government is preparing reforms aimed at securing economic independence from the rest of the Soviet Union and restoring Latvians to a majority in their Ethnic Latvians account for

40 per cent of the 2.6m in the Baltic state; Russians make up the next largest minority. Because of its ethnic composition, Latvia has been more measured than neighbouring Estonia and Lithuania in its rhetoric on reform, but is also more of a test case for the

Mr Anatoly Gorbunovs, chairman of the Latvian Supreme Soviet and the state's dominant political figure, said in an interview with the FT that the changes in language, economy, migration and citizenship policy were provoking anger and opposition among the non-Latvians, but they would be continued.

Among the reforms which will go before the new Latvian Supreme Soviet when it is elected under the new rules in the autumn will be:

• Laws on housing aimed at

stopping inward migration, especially from Russia. Hostels for migrant workers will be closed, and enterprises wishing to employ a worker from out-side the republic will have to pay heavily to the local city budget to defray extra housing costs. Long waiting lists for housing, especially in the capital. Riga, are an explosive

political issue. Most resentment focuses on the migrants who work in large enterprises, which are controlled from

Mr Gorbunovs said the distribution of flats would be changed "to the benefit of Latvian citizens."

 A draft law on currency is being considered which would reject the considered option of a separate currency in favour of cheques issued to Latvian citizens as part of their sala-ries. The cheques would be valid only within the republic. "We need to protect the goods sold to our own citizens," said Mr Gorbunovs.

● A law on language obliging non-Latvian speakers who meet the public in their work to learn the language over the

next five years.

The law on elections to the Latvian Soviet will differ from that of the USSR Supreme Soviet. It will not include any provision for the nomination of deputies from social organisations, such as trade unions or the Academy of Sciences. All deputies will have a territorial mandate and will have to win

the votes of the people. • From next year, Latvia will be in command of its own budget for the first time since becoming a Soviet republic in 1940. Mr Gorbunovs said this was agreed in Moscow "on one condition: that the economic system is effective and that we have political stability."

### our operations, including a boost in the level of net assets.

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"Tradepla International", a 28-page English language quarterly magazine published by Nissho

# Australian economy continues to deteriorate

By Chris Sherwell in Sydney

THE Australian dollar slid on the foreign exchanges yesterday after worse-than-expected balance of payments figures for March underlined the continuing deterioration in the country's external economic perfor-

A current account deficit figure of A\$1.62bn (£766m) was above even the most pessimistic forecasts, and took the nine-month total to A\$12.69bn. Analysts are now projecting a record figure for the year in

excess of A\$15bo. The Australian dollar, one of the world's half-dozen most heavily traded currencies, finished in Sydney at 60.2 on a trade-weighted basis (May 1970 = 100), down from 61.3 on the deep

ne day. Against the US currency it ended at 79.75 US cents, above its low point of 79.2 cents but well down from Monday's 81.3

The fall means the currency has suddenly shed a large pro-

portion of the gains recouned since the last currency scare at the end of February, when it dipped to 79 US cents and 59.6 on a trade-weighted basis.

Commenting on the figures.
Mr Paul Keating, the Federal
Treasurer, said he remained
confident that the current account would turn round. But Mr John Howard, the Opposition leader, called the figure a "real shocker," a view echoed by other interest groups and

The news inevitably fuelled speculation of a further rise in domestic interest rates, but because this would hit politically sensitive home mortgage rates, already at record levels, some analysts believe the government may now want the strain to be taken increasingly by the currency.

The figures were the first major statistics on the economy to be published since Mr Keating's announcement last week of A\$5.7bn in tax cuts

and welfare rises together with productivity-linked pay rises averaging 6.5 per cent. His package, which takes effect in the 1989-89 fiscal year beginning in July, has been criticised as a dangerous stimulus when the external economy appears to be veering out

But Mr Keating has defended it as the only alternative to a wage explosion and insisted that its effect will be blunted by falling demand.

JAPANESE public prosecutors

vice-minister at the Education Ministry, was charged with accepting bribes in the form of 10,0000 cut-price shares in Recruit Cosmos, a property company affiliated to Recruit, the business information group at the centre of the scandal. According to the charges, in return Mr Takaishi turned a blind eye to complaints from

advertisement magazines and also supported the supported appointment of Mr Hiromasa Ezoe. Recruit's former chairman, to an influential government committee. Mr

Robert Mugabe: relaxing

THE timetable for removing South African troops from Namibia will be abandoned

unless all the South-West Africa People's Organisation

guerrillas in the territory with-draw to Angola soon, Mr Pik Botha, the South African For-

eign Minister, said yesterday,

AP reports from Cape Town. Mr Botha said the United

Nations' plan for bringing inde-

pendence to Namibia was still on schedule, despite heavy

after Swapo guerrillas crossed into Namibia from Angola.

for Namibia withdrawal

and Mr Hiroshi offering bribes to Mr

The indictments brought to 12 the number of people charged as a result of the affair, which erupted last year when it emerged that dozens of people in public life had accepted cut-price stock in Recruit Cosmos in 1986.

Apart from Mr Takaishi and senior Recruit group executives, those charged include Mr Takashi Kato, a former vice-minister at the Ministry of Labour, and Mr Hisashi Shinto, ex-chairman of Nippon Telegraph & Telephone.

The investigation of the Tokyo District Public Prosecutor's Office will now focus on the involvement of politicians.

# EC warned about reciprocity

By Stefan Wagstyl

A SENIOR Japanese Government official yesterday warned the European Community the application of pro-posed rules on reciprocal access to markets could "easily esult in protectionism".

We have a big concern over the 1992 market integration of the European Community, especially the application of the reciprocity rule," said Mr Masaki Shiratori, senior deputy director-general of the International Finance Bureau of the Japanese Ministry of

Speaking at a conference organised by the magazine Euromoney, Mr Shiratori said the reciprocity rules could result in protectionism if they were applied in a way that denied entry to non-EC financial companies on the grounds that their home countries ban-ned universal banking, as practised in several European countries. This would include

Japan, which separates bank-ing and securities businesses. Mr Shiratori's comments reflect worries in Japan that the EC might seek to put pressure on Japan to grant further access to European companies The EC has said new rules

on reciprocity will not be applied retroactively - that is, foreign companies already established in Europe will be treated as local. This should, in theory, mean many large Japa-nese companies, with estab-lished European bases, should be safe. But some companies are still concerned that EC members will interpret the

rules differently.

For this reason, Japanese companies have been hedging their bets over the past two years, opening offices in Continental European centres to supplement their London headquarters. Mr Shiratori said the Finance Ministry was carefully watching the expansion of Jap-

anese companies overseas. Japanese banks now had 254 branches, 236 subsidiaries, and 423 representative offices abroad, and Japanese securi-ties houses 115 subsidiaries and 81 representative offices.

Mr Shiratori said although this was not an over-presence, the ministry was watching carefully so as to avoid frictions with host countries". In particular, the revision of the so-called Three-Bureau guidance – rules which cover the activities of Japanese financial companies overseas

— was under consideration. These rules prevent Japanese banks lead-managing bond issues by Japanese companies

abroad The Foreign Exchange Council, an advisory body connected to the ministry's International Finance Bureau, was consider-ing under what conditions this restriction could be removed, Mr Shiratori said.

### Price rises in Jordan spark student riots

By Our Foreign Staff

RIOTING broke out in the Jordanian town of Maan yesterday as students protested against price rises, which came into effect three days ago as part of an economic reform plan backed by the Interna-tional Monetary Fund. Residents of Maan, about

150 miles south of the capital Amman, said stone-throwing vouths blocked streets with purning barricades, attacked banks and government buildings, and set some cars ablaze.

Police used teargas to dis-perse the rioters and 17 people were reported to have been injured. Crown Prince Hassan flew to Maan yesterday in an effort to defuse the protests. including cuts in state spend-ing, was approved by the Jor-danian cabinet last week, and price rises were announced on Sunday. The cost of fuel and soft drinks has risen by 20 per cent, locally-produced alcohol by 40 per cent and customs tariffs on imported alcohol by

Jordan's economic woes have been exacerbated by reduced remittances from workers in the Gulf and lower aid payments from the Gulf oil-producing states, causing an acute foreign exchange shortage. The IMF has agreed

ADNAN Khashoggi has never had much of a head for busi-Rowland's sworn enemy Mr. Mohamed Fayed, boss of Har-rods and the House of Fraser, ness. It is the one criticism his friends make of him. Rather he is a former employee and brother in law of Khashoggi. The middleman sometimes is a salesman, a dealmaker, an influence-pedlar who loves the quick financial fix and finds the routine of management insufferably dull. Khashoggi's had his own middleman like own description of himself is "merchant statesman", a man whose overpowering urge to

Dealmaker trapped by

Rappier times: Adnan Khashogyi and his wife Lauria

make money is coupled with a mission to bring prosperity and stability to troubled areas of

the globe.
The fact his friends accept

this description testifies to the

spell Khashoggi casts. Even his

biggest creditors like him. He has his little foibles, of course:

a passion for ice cream, a pref-

erence for Chinese food over

Arab, and a trick of softening up prospective clients by anticipating their taste in

women. Charming, stubbornly loyal, exorbitantly generous, this son of the physician to for-mer King Abdul Aziz of Saudi Arabia has mesmerised not

only readers of the popular press but some of the world's richest and most ruthless men.

For the last 35 years, where

ever multibillion dollar funds were to be found, the man now

sitting in a jail in Berne, Swit-

zerland, was rarely far away.

He seems to have been impar-tial as to the source of the

money: whether treasuries of big US defence contractors or Third World governments. The job of the merchant

statesman was to get close to that money, put it to work, and take his cut. Khashoggi's circle of past and present clients and associates includes not only

ex-president Ferdinand Marcos

ex-president Ferdinand Marcos of the Philippines, whose New York assets he is accused of concealing, but ex-president Nimeiry of the Sudan, ex-presi-dent "Baby Doc" Duvalier of Haiti, the present Sultan of Brunei, president Mobutu of Zaire and businessmen like Mr.

his own lifestyle

the mysterious Indian "holy man" Sri Chandra Swamiti Maharaj (real name, Nemi Chand Gandhi) who ased to hold the floor at Hollywood seires. The rich and famous never considered a disgrace to be seen at one of Adnan's own fabulous parties or ahoard his leviathan of a yacht, the

Christian Tyler profiles Adnan Khashoggi, who was arrested in Switzerland yesterday

From his schooldays Khash-oggi showed a knack for making money and an equal knack of his fortunes, built on commission payments for arms sales to Saudi Arabia, his domestic outgoings alone were about \$500,000 a month, accord-

about \$599,000 a month, according to a former side.

Still only 53, he has often been described as the world's richest man. He probably never was but he certainly looked like it. His extravagance is not merely sybaritic. It is a necessary part of his professional armoury, in confidence in the people whose money he has sought to whose money he has sought to

use.
If Khashoggi was once very rich - standing comparison even with today's Wall Street dealers - he is no longer. His financial plight was hidden for years, perhaps even from him-self, by his ostentatious life. It

emerged only in late 1984 or early 1985, when Khashoggi started selling or mortgaging assets of his Triad America company, based in Salt Lake City. The company got into serious difficulties and sought protection from its creditors in 1987. Mr. Khashoggi's other creditors began to close in. It was in order to break free of this bind that Khashoggi became involved in "Irangate", financing some of the hostagefor arms deals whose ripples are still swirling round Capitol

But the deal flopped. So, too, did the penny-stock promo-tions on the Vancouver Stock Exchange where Khashoggi, playing well below his usual form, lent his name to exotic schemes involving second-hand space satellites and the reopen-

ing of "King Solomen's mines". His most recently reported venture is likewise modest for an erstwhile supersalesman. In February he teamed up with Mr Rowland again to prepare a bid for a luxury hotel in Taba. The deal may be replete with the kind of complications Khashoggi enjoys. But with an asking price of around \$70m, it is hardly a match for his tal-

"We could have had the best people in the world working for us," said a friend and for-mer adviser. "But it was difficult for Adnan to realise that he had to change his lifestyle. We were always hocking for the quick fix - how fast can we get \$10m? How fast can we get

With his houses, aircraft and yacht in and out of hock (the Nabila has been sold to Donald Trump, the New York property magnate), it is anybody's gues how much Khashoggi is worth these days. Trapped by his own image and by his own lifestyle, he must today be wondering whether there is not something to be said for routine, after all.

# Recruit probe set to focus on Japanese politicians

By Stefan Wagstyl in Tokyo

yesterday indicted a senior civil servant on bribery charges arising from the Recruit scandal, clearing the way for a full-scale investigation of politicians' role in the affair. Mr Kunio Takaishi, a former

teachers about Recruit's job

Kobayashi, a senior Recruit group executive, were charged Takaishi.

# Mugabe eases investment rules

PRESIDENT Robert Mugabe yesterday announced measures to liberalise Zimbabwe's economy in a bid to encourage investment and reduce soaring unemployment, Reuter reports from Harare.

In a speech marking the ninth anniversary of Zimbabwe's independence, he said the Government was easing administrative controls which investors say are stifling eco-

Mr Mugabe said the overall rate of economic growth between 1980 and 1988 was positive, but the pattern of growth had been very unsatisfactory. He said Zimbabwe's economy went through a boom period in 1980-81, plunged into recession in 1982-83, recovered in 1984-85 but slackened again in 1986-87.

measures will be announced next month but Mr Mugabe outlined the broad terms. The Government will further relax controls on remittance of dividends, limited now to 25 per cent of after-tax profits for investments before independence in 1980 and at 50 per cent of after-tax profits for post-in-

pendence investments. Mr Mugabe also promised greater flexibility in the use of surplus and blocked funds, which at present can be invested only in areas desig-

nated by the government.
Pledging legal safeguards to
protect investments, he said Zimbabwe would join the con-vention of the Multilateral Investment Guarantee Agency. Zimbabwe would also sign

Details of the new economic individual agreements with governments of countries with potential investors.

To encourage foreign investors to play a role in revitalis-ing the economy, Mr Mugabe said a centre was being set up to give advice and speed up the process of foreign investment To provide additional confi-

dence. Government has also decided to institute arrangements which will provide for international arbitration in the case of disputes," Mr Mugabe

He indicated his govern ment's main concern was to create jobs for some im unemployed in Zimbabwe. The number is expected to swell by 300,000 school leavers annually

# Botha warns on timetable | Macao to strengthen its central banking powers

By John Elliott in Macao

as "the toughest I've ever

\$833m over the next three years along with a \$125m World Bank structural adjust-ment loan released with the

first £337m. So far there is little

The IMF agreed to provide

table was likely to be disrupted if the guerrillas still in the ter-ritory had not left by the end A NEW monetary authority is to be set up soon by Macao, the of the month.

Mr Botha said South African tiny Portuguese enclave on the south China coast near Hong Kong, in a reshuffle of central troops would not return to their bases, as called for in the UN plan, until a total Swapo banking responsibilities.
Called the Monetary Authority of Macao, the body is

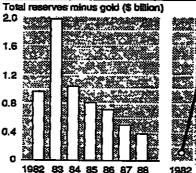
withdrawal was verified. He also said South Africa would not meet the timetable for intended to strengthen the Government's direct powers. It will reinforce the Portuguese withdrawing its troops unless Swapo pulled out. South Africa, which has not Banco Nacional Ultramarino's role as the Government's agent for issuing the enclave's curdisclosed its troop strength in Namibia, is supposed to have no more than 12,000 soldiers in rency in the run-up to 1999 when Macao reverts to Chinese sovereignty.

The Instituto Emissor de Macao, set up in 1980 as a quasi-private sector central banking organisation, will be closed. Its departments respon-sible for supervising banking and insurance will be trans-

ferred to the new authority.

The authority has been modelled on a similar organisation in Singapore, as an independent agent of the government. It will be headed by a co-ordinating council whose first chairman will be Dr Antonio Simoes, Macao's Secretary for Economic Affairs. a \$125m (273m) standby credit, and the World Bank is also expected to provide \$100m-\$150m in loans as Jordan reschedules some of its \$6.5bn external debt. Economic Affairs.

# Pakistan



1982 83 84 85 86 87 88 month Some 85 per cent of the aid

being sought from the consor-tium is needed for debt servicnum is needed for debt servic-ing, so will not be available to help meet public expenditure targets. This year's budget defi-cit target may only be met because spending on public and social services, covering health and education, was slashed by 15 per cont lest slashed by 15 per cent last June and a further 25-30 per

making the second year doubly tough. The Government has tough. The Government has already sent out feelers to gauge what happens if targets are not met. Pakistan tried to avoid implementing IMF dictates in 1983, so this agreement specifically states that even if the entire amount is not drawn, the Government is still committed to the measures.

expenditure going on defence and debt servicing, Ms Bhut-to's only alternative is to increase resources. Agricultural tax may be out, but the

esent system of tax collection by easily-bribed inspectors working on commission could be vastly improved. Last year the Taxation Commission found Rs50bn is evaded annually. Less than a million of Pakistan's 103m people pay tax. However, measures aimed at broadening the tax base last June netted less than Rs8bn of the Rs13.25bn expected. Ms Bhutto sees her brightest

Ms Bhutto sees her brightest hope in attracting foreign investment. However, although there is plenty of interest, the international community appears to be waiting for her to prove she is capable of running a stable country and of dealing with the ethnic violence which often closes factories.

The messence of Afghan refu-

The presence of Aighan refu-gees has guaranteed Pakistan much Western aid and it would be hard for the US to stop its package of more than \$4bn over six years now that there is a democratically elected government. In June and July Ms Bhutto will tour the US and Europe appealing for economic aid to ensure Pakistan's survival as a democracy.

# Bhutto move likely on security reform

By Our Correspondent in Islamabad

LONG-EXPECTED moves by Ms Benazir Bhutto to force Pakistan's armed forces out of the political arena appear imminent with reform of the security services topping the agenda. Ms Bhutto, the Prime Minis-

Ms Bhutto, the Prime Minister, is shortly to be presented with the report of a committee set up in January to review the intelligence agencies. The three-member body, headed by retired Air Marshal Zulfiqar, recently finished the seven-chapter report which calls for such agencies to stop functioning as policy-making bodies and to be brought under government control within a clearly defined framework. The move is considered vital by Ms Bhutto's People's Party.

After examining the working of the military intelligence Inter-Services Intelligence Directorate (ISI), the federal intelligence Bureau, provincial Special Branch and Airport Security Force, the committee suggests a law to govern and regulate intelligence activities, supervised by a Joint Intelligence Committee and chaired by a Cabinet minister, as well as centralised training at a single academy.

Unlike most countries Pakis-

gle academy.
Unlike most countries Pakistan's intelligence agencies were set up by executive order and operate without defined rules. According to the com-mittee this has caused certain agencies to go beyond their

The recommendations are unlikely to find favour in the headquarters of the ISI, the largest agency. It is a military intelligence agency used widely in domestic surveillance and policy by the late President Zia. One Cabinet minister comments: "ISI is Zia's most insidious legacy."

Ms Bhutto herself was number one enemy on the ISI list until her victory in elections in The recommendations are

per one enemy on the ISI list until her victory in elections in November which ended 11½ years of martial law and non-party government. ISI played an integral role in the cam-paign strategy of her opponent, Nawaz Sharif, and the creation of his Islamic Democratic Alli-ance. ISI's autonomy increased through its role in the Afghan

war, during which the agency trained mujahideen guerrillas and distributed about \$1bm a year in arms and aid. This enabled the ISI to create favourites and pursue an agenda of installing a funda-mentalist Afghan government. Gen Hamid Gul, head of ISI. Gen Hamid Gul, head of ISI, apparently surprised the Zulfiqar committee by suggesting that ISI drop political reports and agreeing to the removal of Brig Imtiaz, who headed the department and worked closely with the Islamic Democratic Alliance. However, many believe ISI has widely inflitrated the Intelligence Bureau, which the government intends to build up for domestic intelligence.

# Pakistan confronts the economic crisis hidden under a pile of debt

AKISTAN'S Benazir rupee investment which has Bhutto took office as not been forthcoming.

Prime Minister in This was accompanied by a World Bank official described December amid immense inter-national goodwill, every ounce of which will be needed in Paris today when the country's leaders ask a consortium of aid donors for an unprecedented and desperately needed \$3bn.

The principal consortium members are Britain, Japan, France, the Asian Development Bank and the World Bank, who last year allocated Pakistan \$200,000 more than the \$2.5bn it requested. The Government Ms Bhutto

The Government MS Buttoe inherited was so bankrupt that it was printing money to pay salaries, ministries had run out of stationery, photocopying had been banned and empty ballpoint pen cases had to be presented before refills could be issued.

According to a government economic adviser, the rupee has devalued by 15 per cent against the dollar as a direct result of an increase in money supply from Rs88bn (£2.6bn) in circulation last July to Rs98bn: To survive we literally had to

print Rs10bn." The mess was an inevitable consequence of the policy of the late President Zia ul-Haq over the previous 11 years, characterised by excessive bor-rowing, often at exceptionally high interest rates. He amassed a foreign debt of \$19hn, \$6bn of which remains undisbursed because of bureaucratic inefficiency and because it is borrowing tied to matching local crippling expansion in the country's internal borrowing which rose from Rs58bn in 1981

to Rs290bn in 1988. Despite the Government's increasing hand-to-mouth reliance on loans, gross national product grew at a healthy average of 6 per cent over the period and per capita income a reprotable \$400.2 year. This respectable \$400 a year. This was mainly due to remittances

to show for it, with the Government still repaying the IMF \$224m on an extended facility from 1980.

Christina Lamb unravels the mess Bhutto inherited from Zia and which only international goodwill can hope to address

from workers in the Gulf, the country's single largest source of foreign exchange, which peaked in 1984 at more than

Other forces that helped deflect attention from impenddeflect attention from impending crisis were the benefits from aid flowing to the Afghan rebels and the burgeoning smuggling trade in drugs and consumer items. According to the independent Economic Policy Research Unit, the black economy is more than \$12bn, 30 per cent of GNP.

However, on the eve of elec-tions that followed General

Zia's assassination, the care-taker government, to avert near financial collapse, was

forced to embrace an Interna-

Moreover, the agreement, which requires the budget defi-cit to be cut from nearly 9 per cent of GNP to less than 5 per cent in three years, involves austerity measures which are proving politically crippling for

a new government facing high public expectations.

Domestic gas prices have already gone up 47 per cent and the IMF is demanding big increases in charges for other public services an end to subpublic services, an end to sub-sidies, an across-the-board sales tax and an agricultural tax, which no government in Pakistan's feudal-dominated society has managed. A recent-ly-formed government committee is expected to come out against the agricultural

in the last nine months, with the import bill estimated at Rs135bn compared with export earnings of Rs80bn. Foreign exchange reserves are barely enough to cover two weeks of imports. Growth rates are far below target, agriculture achieving only 4 per cent compared with the 8 per cent projected, while government officials admit they will be lucky to achieve 5 per cent instead of the predicted 7 per cent overall growth.

Ms Bhutto, who herself holds the finance portfolio, so far has

offered no solutions to unem-

ployment of up to 25 per cent, andan inflation rate which the Karachi Chamber of Commerce

estimates will top 20 per cent next month. In fact, in the last two weeks since Ms Bhutto

warned it would be a tough budget, prices of many essen-tial commodities have quadra-

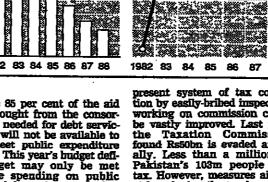
The trade deficit has doubled

One senior American economist describes Ms Bhutto's performance as disappointing.

"People want results, not Oxford Union-style speeches. By speaking of a tough budget with no evalenation she has By speaking of a tough budget with no explanation, she has fuelled much speculative activity. People panicked and began hoarding and buying up — causing prices to rocket and a surge of imports, worsening the trade balance."

To satisfy both the IMF and the public, the Government plans to launch an anti-poverty crusade with the budget next

Debt service ratio (%)



cent in December.

The year-end performance will be worse than the IMF estimated, even in December.

with 80 per cent of current

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### **AMERICAN NEWS**

# Wright opens defence of his ethics

MR JIM WRIGHT, the Speaker of the US House of Representatives, yesterday opened his defence against wide-ranging ethics charges before the most important jury of all - the House Democrats who will have the final say over whether he keeps his post. Mr Wright addressed a closed session of the Demo-cratic caucus in the House chamber, with many members saying they were concerned but keeping an open mind. On Monday, the House Eth-

ics Committee issued a politi-cally devastating report, amounting to an indictment, in which it said it had found "reason to believe" that Mr Wright had violated rules on congressional conduct on 69 congressional conduct on 69

separate occasions.

The Speaker's supporters, mainly based in the Democratic leadership and among his fellow Texans, are confident that he will be able to deal with the charges the charges are damaging the institution of Speaker. Mr Wright is the first Speaker in US history to be formally charged with ethical wrong-

Mr Wright has demanded an early hearing before the 12member ethics panel, which approved unanimously a report setting out the charges.
These include acceptance of \$145,000 in salary and benefits and "an overall scheme to against him.

But other Democrats believe earned income through the

bulk sale of a book, Reflec-tions Of A Public Man.
The next step is a "trial" in which committee members act as judges and can recommend punishment.

unishment. Any punishment requires a vote by the full House, in which Democrats hold a 280 to 173 majority over Republicans. Many Democrats, however, are concerned that the torrent of critical media coverage about the Wright affair could force the Speaker out of office later this year.

### Tougher action urged on budget deficit

THE Congressional Joint Economic Committee has urged Congress and the US administration to do more to reduce the federal budget defi-cit because it is squeezing savings and investment, Reu-ter reports from Washington. Representative Lee Hamil-ton, the Committee's Democratic chairman, said the panel, which released a report on the US economy, was on the US economy, was pleased with the seven-year-old economic expansion but was concerned with the current emphasis on consumption and borrowing and the low rate of

savings needed to finance business investments. "We agree that the federal budget deficit has been a major contributor to this problem," Mr Hamilton said at a news conference. "We urge our Con-gressional colleagues and the administration to take effective steps to reduce the federal bud-

get deficit."

He said the budget agree ment between the White House and Congress announced last week would do little to reduce

The panel's report said the economy's weakest points were the nation's low savings rate and the vulnerability of many financial institutions, including failing thrifts and commercial banks with risky Third World loans.

Reducing the budget deficit would improve domestic savings needed to finance business investment and research and development for the future, it said.

The report said the Federal Reserve was walking a thin line in making monetary policy given the maturity of the current expansion and a 15-year low unemployment rate that brings the economy close to full employment. Panel member Senator Steve

Symms, an Idaho Republican, expressed concern that the Federal Reserve could over-react in its bid to fight inflahigh and choke off the expan-

"If they continue to crank up interest rates, that may not have the effect of being-non inflationary but have just the opposite effect as it increases the cost of doing business and pushes the price index up," he said

# Brazil's dominant party in struggle over poll candidate

By Ivo Dawnay in Rio de Janeiro

THE outcome of Brazil's presidential elections in November and the future of its dominant political party - the Democratic Movement (PMDB) may well be decided today at a meeting of the PMDB lead-ership in Brasilia.

A hundred PMDB delegates will attempt to choose unant-mously whom to recommend as the party's official presidential candidate to a full party conference meeting at the end of the month.

But after three months of intensive manoeuvring, the party, which holds majorities in both houses of Congress, is hopelessly split over the candi-

They include the Bahia governor Mr Waldyr Pires on the left; the veteran party leader Mr Ulysses Guimaraes and Parana governor Mr Alvaro Dias in the centre; and Mr Iris Resende, the former Farm Minister, on the right.
Not one, analysts claim,

stands a chance of winning.

Instead, the party's hopes, already badly undermined by its unpopular links with the government of President José Sarney, lie with Mr Orestes Quercia, the governor of Bra-zil's most powerful state São played a brilliant waiting game, insisting that he is not running and pledging support to the PMDB's grand old man and "unity" candidate, Mr Guimaraes.

The more independent com-mentators and party grandees have emphasised that only the São Paulo governor can defeat the strong candidates of the left-wing parties — Mr Leonel. Brizola and Mr Luis Inacio Lula da Silva — the more Mr Quercia has demurred.

Finally, Mr Quercia is said to have agreed to stand. But only if his two fiercest enemies, Mr Pires and another north-east-ern governor, Mr Miguel Arraes, back his nomination. These two now have to choose between fielding a strong candidate with a powerful political machine and substantial private funds or back-

ing a loser and facing the wrath of the party. Mr Arraes, who regards the São Paulo governor as a cyni-cal conservative, is famous for saying it would be better to lose with Mr Guimaraes than win with Mr Quercia. But he will be under strong pressure to give way from powerful interests anxious to cling to

# Chile strike only partial success for unions

By Barbara Durr in

A 24-hour general strike called-by Chile's largest labour con-federation, the Central Unica de Trabajadores (CUT), appears to have been only partially suc-

In the capital most shops

and restaurants were open and banks were operating normally. Transport, however, was visibly diminished, with some 25 per cent of buses absent and roads traffic thin.

Labour leaders reported that 50 per cent of the workforce at some factories was striking.
The strike was to press for the release of two CUT leaders from internal banishment and for the reversal or ending of

privatisation of state compa-The CUT also demanded a higher minimum wage and the re-hiring of workers allegedly sacked because of voting against General Augusto Pin-ochet in last October's piebi-

A series of bombings on Sunday and Monday nights, which injured two people and caused a brief blackout in Santiago. were denounced by the government as intimidation tactics to force workers to adhere to the

The government has suggested that communists are behind the labour action. Mr Gonzalo Garcia, Deputy Minister of the Interior, urged condemnation of "those movements that attempt to burt the country's development and provoke violence and damage."

# Mr Fischer said the Interna-tional Monetary Fund would devote \$7bn and the World

polling date set President Alan Garcia of Perú has announced that nation-wide municipal elections will be held in Peru's 181 provinces and 776 districts on November 12, Veronica Baruffati reports

Peru municipal

Last week it was announced that the presidential election had been brought forward a month to March next year, This is to guarantee enough time to run a second ballot, if no party obtains a majority in

# Political advance in a fiscal jungle

Peter Riddell analyses Bush's outline budget deal with Congress

C ELDOM can an agreement between an admin-istration and Congress have received such a lukewarm reception as the outline budget deal announced in the spring sun of the White House Rose Garden last Friday by President George Bush.
"Minimalist", "lowest com-

mon denominator", "see us through the night", are some of the descriptions used even by those who attended the ceremony. And two key partici-pants crucial to the implementation - Senator Lloyd Bentsen and Representative Dan Rostenkowski, the chairmen of the Senate and House tax-writing commit-tees - stayed away from the Rose Garden because of their doubts.

It is easy to dismiss the

agreement as "blue smoke and mirrors", or, in Senator Lloyd Bentsen's view, "marginal". Yet there are pluses, even if they are more political than economic. The fact that a deal was announced in mid-April is in itself a striking contrast with the confrontations and last-minute, late summer deals of the Ronald Reagan years. Bipartisanship can be an empty slogan, enabling all the participants to feel comfortable and paper over the cracks. But it underlines a common view of the problem, even if not the

now by co-operation, rather than grand gestures.

Without the pressures induced by a crisis, the results are undramatic. Mr Richard Darman, the Budget Director, summed up the Administration's gradualism in claiming

political will, yet, to solve it. Government in Washington is



from the unveiling of the budget deal

that the deficit could only be unambiguously rejected by tackled by "manageable steps," Democratic leaders, though the not with giant steps all at

But does the deal represent a step forward? The figures for overall spending will be incor-porated in the outline budget colutions about to be set by the Senate and House, and con-gressional leaders agreed with the overall revenue figures, if not the details. This should exercise a downward pressure

Beyond this the shortcomings of the deal are all too apparent. The biggest questions arise on the revenue side. Some \$5.3bn is expected to come from new tax revenue, almost entirely from the initial boost to receipts produced by cutting capital gains tax.
Whether or not this estimate

is right, this proposal has been



Dan Rostenkowksi (left) and Lloyd Bentsen: absent

Administration still talks lamely about winning over Congress. Minor alternatives have already been raised, such as extending the excise tax on airline tickets, but any solution is likely to be fudged as long as the President's pledge of no new taxes remains.

The outcome for fiscal 1990, starting this October, depends both on what the appropriation committees decide this summer on detailed spending and on the revised economic forecasts in August which will indicate how much more needs to be done to reduce the deficit below the statutory Gramm-Rudman target of \$100bn. Since there is anyway a \$10bn leeway and the Administration's forecasts will probably be as optipossible to give the appearance of meeting the target without

What happens in practice could be very different. The deficit in the current fiscal year is likely to be at least \$160bn to \$170bn and you have to have great faith in the \$40bn of extra revenue produced next year by economic growth expected by the Administration, or the \$28bn of spending savings and added tax receipts agreed last Friday, to believe that the deficit for fiscal 1990 will be much below \$120bn to will be much below \$130bn to \$140bn at best. Fiscal 1991, with a \$64bn

Gramm-Rudman target, will be even more difficult. Senator George Mitchell, the Democratic Majority leader, has said talks with the Administration on that year will start immediately, and tax increases will be "inevitable" then. The Administration is not yet prepared to concede that publicly. Meanwhile, administration officials are whistling in the wind to believe that the cur-

wind to believe that the cur-rent deal will of itself be suffi-cient to produce lower interest rates. It falls well short of the objective of a multi-year deficit reduction package set by President Bush in February and regarded by Mr Alan Greenspan, chairman of the Federal Reserve, as the key to market

credibility. Describing the agreement as the "best in the circumstances", Congressman Lee Hamilton, chairman of the joint economic committee, yes-terday summed up a wide-spread feeling when he said: "We are eroding the strength of the economy while we put

# World Bank warns over funds for debt reduction cent debt and debt service reduction would be schievable

THE chief economist of the World Bank, Mr Stanley Fischer, said yesterday the resources envisaged by the US administration to facilitate debt reduction would probably be insufficient to achieve a 20 per cent lowering of debt bur-dens, Reuter reports from

Washington.
As Mexico and its leading commercial bank creditors start talks today in New York on an agreement expected to be the first to incorporate the US proposals, Mr Fischer told a conference that the goal of cutting the foreign bank debt of 39 countries by 20 per cent over three years was "a little on the

high side" given the funds ear-marked to date. Informal administration esti-

of this, Japan has pledged \$4.5bn but has not said whether this would be additional to its normal foreign aid, he said. To make the debt reduction plan work, commercial banks would have to provide extra money, which raises the crucial question of the attitude that the US Treasury and other authorities will take during the authorities will take during the bargaining process between debtors and their creditors.

over the next three years.

Bank \$5bn to finance reduction

of principal as well as \$6bn each over three years to smp-

rt interest payments. On top

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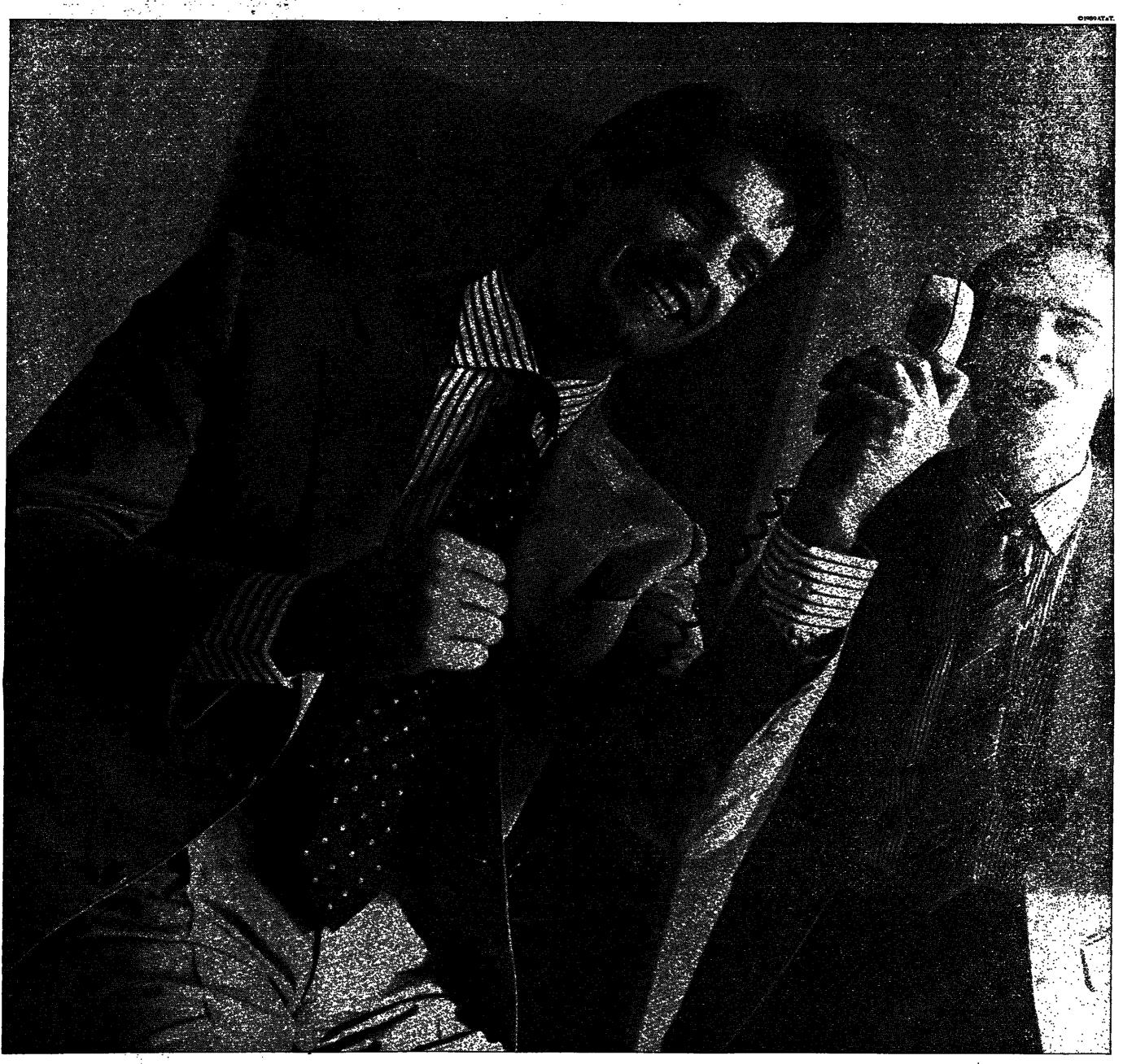
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### WORLD TRADE NEWS

# to Tokuyama bid for Gen Ceramics

By Lionel Barber in Washington

THE Bush Administration has Tennessee. Among the comraised objections to a Japanese pany's products are high-tech company's proposed \$59m (£35m) acquisition of General Ceramics, a New Jersey company involved in nuclear weap-

The acquisition - proposed by Tokuyama Soda Company of Tokyo - has aroused interest because of new provisions under last year's Trade Law which give the President powers to block foreign investments believed to endanger

national security. The administration's objections centre on classified work that General Ceramics is doing for the US Energy's Depart-ment Y-12 plant in Oak Ridge,

ceramics used in components for nuclear weapons manufac-

## Call to protect European commercial vehicles

By Kevin Done, Motor Industry Correspondent, in Turin

MR GIORGIO Garuzzo, chief assembly plant in the UK. He executive of Iveco of Italy, West Europe's second largest truck maker, yesterday called for temporary protection for the European commercial vehicles industry from the threat of Japanese imports. He insisted that it was necessary to "protect the ongoing restructuring process of Euro-

pean industry "Protection of this kind that does not include the obligation of a European content of at least 80 per cent and of European control over basic technologies, particularly engine technologies, would be pure hypocrisy," he said in an address at the Turin motor show. There was "a risk of destabilising European indus-

Iveco is the commercial vehicles subsidiary of Fiat, which has also campaigned hard for temporary protection from increased Japanese imports for the West European car industry, and for a strict local content régime to regu-late Japanese investments in greenfield site vehicle assem-bly capacity in the European

Mr Garuzzo's call came as tinue for long without putting Toyota announced its decision a brake on world trade liberal-Mr Garuzzo's call came as to build a 200,000-cars-a-year isation.

tured at the plant.
Tokuyama Soda and General
Ceramics have therefore
agreed to shelve the deal until

agreen to shelve the deal with the contract problems are resolved. "We fully expect to go ahead with the deal," said a General Ceramics spokesman.

A restructured deal will still for the Committee of the contract of the co face scrutiny by the Committee on Foreign Investment in the on Foreign investment in the US — which is composed of representatives of the Trea-sury. State, Commerce, Defence and Energy Depart-ments, as well as the US Trade Representative's office.

expressed support for "free international trade", but said this could only be based on "reasonably equal positions". Japanese vehicle makers have already made considerable inroads into the West

but have not yet launched a concerted attack on the truck "Were the Japanese to take a strong position in Europe, par-ticularly in medium and lightweight vehicles, they would enjoy benefits that European companies could not control,"

Mr Garuzzo said. Experience from other sectors suggested an attack on the European truck market would take place "at marginal prices based on direct production

With the Japanese trade surplus running at more than \$7bn (£4.1bn) a month, the US, Europe and other countries were handing over to Japan "a huge amount of money" it could use to acquire financial assets foreign real estate "or finance developing countries, thus colonising their markets".

# Objections raised | GPA becomes 'Boeing of leasing business'

Kieran Cooke looks at the modest operation behind the biggest ever aircraft order

IRCRAFT orders run-A dollars conjure up images of freshly-liverled air-liners parked on the tarmac, bustling uniformed staff and travel agents' "Fly Me" post-

GPA, the Ireland-based company which yesterday announced what is being described as the biggest order in civil aviation history of more than 300 aircraft worth \$17bn, has none of these traditional trappings.

The company, formerly known as Guinness Peat Aviation, operates out of an anonymous looking building on the perimeter of Shannon airport. There are no aircraft in GPA colours parked outside. Aircraft in GPA's present fleet, worth \$3bn, and which operate with 64 carriers in 32 countries around the world, are rarely seen at Shannon. The GPA formula is a simple

one. The aircraft industry is in the process of a fundamental re-adjustment, re-equipping itself for the years to 2000 when passenger traffic, after a lull in the late 1970s and early 1980s, is expected to increase by 6 per cent a year doubling by the end of the century.

A new generation of quieter, technologically-advanced aircraft is being produced to cope with market expansion. Deregulation and a big growth in the charter business has brought new, small airline

companies into play. Small airlines cannot afford the prohibitive capital costs of buying the new generation of aircraft. In some parts of the world, in particular in South America, International Monetary Fund measures and other

regulations prevent such expenditure. In some cases even the big airline companies find the capital cost of buying aircraft too much of a strain on

their budgets.
This is where GPA comes in. It buys in bulk from the air-craft and engine manufacturers, gaining discounts which, in the intensely competitive world of aircraft manufacturing, can reach 25 per cent.
It leases these aircraft to the

operators, usually for a period of between five and seven years at a monthly rate slightly more than 1 per cent of the aircraft's capital value. Thus the monthly rate payable on a standard Boeing 737, with a purchase price of \$25m, would be \$250,000 a month.

GPA dislikes being described as an aircraft speculator or futures broker. "We prefer to describe ourselves as being similar to a manufacturing company which invests in plant and equipment to develop inventory for onward sale," says Mr Maurice Foley, GPA's president. "In our case we have invested in aircraft and in an organisation to mar-ket, finance and manage that

GPA also denies it and other leasing companies have forced the pace of aircraft purchasing and pushed up prices.

The company's success has been built, for the most part, on being in the right place at the right time. "We did not exactly invent aircraft leasing but we were in right at the beginning," says Mr Tony Ryan, the Irish entrepreneur and former Aer Lingus employee who founded GPA in the mid-1970s with share capital of \$50,000. A recent Salo-



Maurice Foley: model manager, not 'aircraft speculator'

mon Brothers report valued GPA, still a privately held com-pany, at more than \$1.5bn. GPA started by trading in aircraft leases, matching sur-plus aircraft to airlines in need. By the late 1970s it was raising loans to buy aircraft. There are some in the industry that question whether it has not advanced too far too fast. There is concern about the financial risks involved in an order of the size of that nnounced yesterday.

The company says it now controls about 45 per cent of the world's new aircraft leasing business and is well ahead of its nearest competitors, the California-based public company International Lease Finance Corp and the Austra-lian Ansett Group. "We are the Boeing of the leasing busi-

ness," says Mr Foley. GPA recently agreed its first aircraft lease in eastern Europe to the Hungarian national carrier. One with a carrier in China is imminent.

The company says it has no trouble financing its pur-chases. Last week GPA execu-tives were in New York, London and Tokyo giving presentations to various banks and financial institutions. "We always keep the banks fully informed about what we are doing. We currently have \$5bn in lines of credit available to us and we are only just beginning to tap other sources of finance available in the public market," says Mr Ken Holden, in

charge of marketing at GPA.

Mr Holden says the banks are investing not in GPA's aircraft but in the company. The group has built up a consider-able aircraft and financial services business outside its leasing operations which contributes increasing

amounts to overall revenue.

In an increasingly complex industry, GPA feels manufacturers and airlines should concentrate on building and flying aircraft, allowing companies such as itself to sort out the

financing, services and research side of the business. GPA now has joint ventures with almost all the western world's aircraft companies. It also specialises in aircraft trading, aviation banking and other services connected with the industry.

GPA has an impressive group of main shareholders spread around the world, including Air Canada, Aer Linduckers.

spread around the world, including Air Canada, Aer Lingus, Mitsuhishi and Prudential Insurance of America. Mr Ryan, now chief executive, has through successive share placings retained an 8 per cent interest in the group.

Last year Mr Ryan, son of a train driver from County Tipperary, paid out 1636m (30m) of his own money to buy a 5 per

his own money to buy a 5 per-cent interest in Bank of Ireland, one of the country's two principal commercial banks.

There is clearly confidence in GPA's strategy in the mar-ket: in December 1988 the Guinness Peat Group sold its remaining 14 per cent share in GPA for \$240m. GPA's profits in 1987/88 were \$101m. In 1988/ 89 they are expected to rise to

Analysts feel the size of the latest order and the attendant publicity makes a group flotation likely. In Ireland there is pride that a home grown company has become a world

leader in its field. But there was also some dis pleasure yesterday that GPA chose to announce its biggest purchase to date in New York, Paris and London and not in Dublin. Since the group came into being it has enjoyed taxfree status operating out of Shannon and employs little more than 100 people.

which raised \$125m for the lease of two Airbus A-910s. They were owned by a Japanese-based investment trust, the actual borrower, which then leased them to TAP. This financing structure sometimes allows for the "dou-

ble-dip" simultaneous use of tax breaks from two different countries. While some countries allow the depreciation. allowance to go to the nominal owner, others recognise the "economic owner", typically the airline, as the rightful recipient of the tax break.

# Japanese in S Korean equipment venture

By Robert Thomson in

NACHI-FUJIKOSHI, Japan's leading producer of cutting tools, is today to launch an hydraulic equipment joint venture with Daesung Corporation, a South Korean gas distributor and heavy equipment maker, despite the Japanese company's concerns about the long-term "boomerang" potential of the deal.

The venture is the first of its

The venture is the first of its kind in South Korea for Nachi-Fujikoshi, which already has manufacturing facilities in Spain, Brazil and the US. The Japanese company has been prompted to expand off-shore facilities by strong domestic demand, growing nternational ambitions and, in

intercational ambitions and, in the US, by trade problems including allegations that it has been dumping bearings.

According to Mr Kensuke Imura, Nachi-Fujikoshi's manager of corporate planning, "We try to look at this deal from the point of a big family. We know the boomerang could come back. It is probably like come back. It is probably like the relationship between the US and Japan 20 years ago.

The level of technology transferred by the Japanese company will increase gradu-ally in sophistication over five years, and the hydraulic equip-ment produced will be used in heavy machinery such as

earth-moving equipment.
South Korean companies are determined not to become mere assembly lines for Japanese producers, and so Dae-sung has a 55 per cent share of the \$6m joint venture company. Daesung-Nachi Indus-trial Corporation. Sales in the first year of

operation are expected to be around \$4.5m, and Mr Imura is confident that increasing demand in the South Korean market will soak up produc-

### Cuba tourists

More than 2,000 tourists from Western Europe and Canada have arrived in Cuba this year on ocean cruises, the Cuban government news agency announced, AP reports from Mexico City. Cuba expects to attract 200,000 foreign visitors this year, it added.

# Bankers turn to aircraft financing for new business

WITH THE slowdown in merger-related lending in 1989, bankers are increasingly turning to aircraft financing, which offers more potential for new business than almost any other type of lending, Norma Cohen

Salomon Brothers estimates that over \$400bn (£235bn) will be spent in the next 12 years to meet demand for world air travel, with fleets increasing 60 per cent by the year 2000.

Many airlines lease aircraft rather than buy them outright. This process could not con-

peakmonths each year, while awaiting delivery of an outright plane purchase. The demand for leased aircraft is great news for GPA Group, the world's largest lessor of aircraft, not to mention the bank-

ers who arrange the financing. Aircraft lessors use either of two structures to fund their purchases - finance leasing or operating leasing. The former involves payments for the asset over a leased term, usually the expected life of the aircraft, with ownership reverting

Operating finance, the technique used by clients of GPA, works much like car hire, with the lessor renting the aircraft for several years, after which ownership reverts to the les-

Bankers agree the real value in operating finance lies in the ability to structure deals to take advantage of tax laws in various countries, particularly Japan, which offer nominal owners certain write-offs. Bankers estimate Japan provided over \$2bn in tax-lease lending in 1988.

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France and West Germany offer tax write-offs to nominal owners based there, although in France, the advantages are generally limited to those pur-chasing French-built aircraft Leasing companies take advantage of tax breaks by

establishing a corporation to own the aircraft in a taxfriendly country. The owner then leases the craft to the air-line, passing on some of the tax advantages in the hiring

This structure was used by TAP, the Portugese airline,

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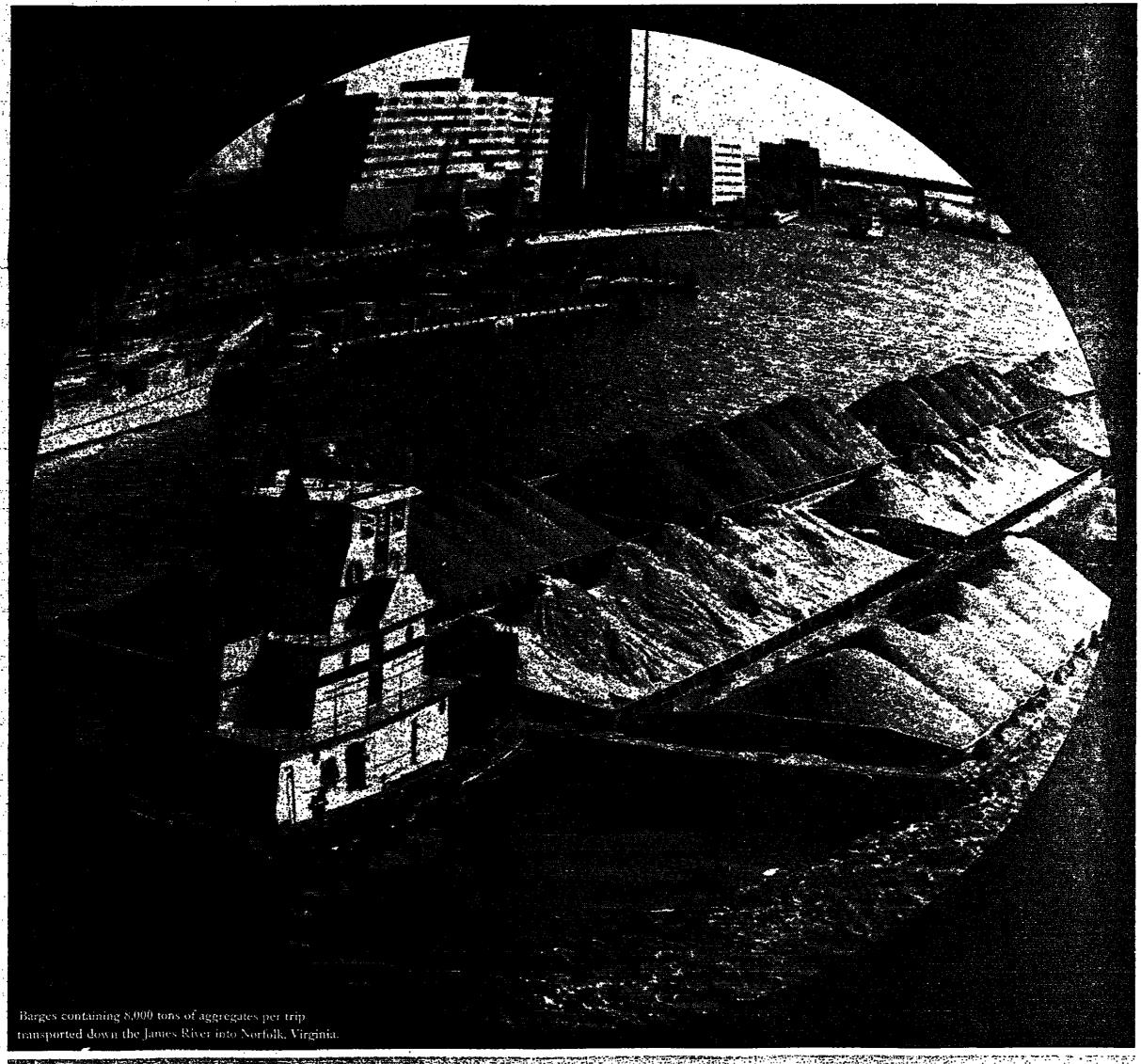
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- It had a turnover in 1988 of nearly \$600 million and employs over 4,000 people.
- Operating in the states of Virginia, North and South Carolina, Florida, Texas, Arizona and California it has a corporate office based near Washington, D.C..
- At Pennsuco, near Miami, Florida it owns the largest reserves of quality building stone.
- The quarry covers 6,000 acres with over 400 million tons of recoverable limestone. In a typical day, 165 rail cars and 700 trucks transport aggregates from this facility.
- The stone is located underwater and recovered with a giant dragline that scoops up over 60 tons of stone in one bucket.
- Our Virginian operations use the James River as the backbone of their transport system. A fleet of over 100 barges carry building aggregate from the quarries and sand and gravel operations over 100 miles downstream to Norfolk.
- Our barges, containing 8000 tons of aggregates per trip, are pushed down river by a fleet of three large 1400 horse power diesel tugs and 12 small "puffers."
- In total Tarmac America has at least 1.5 billion tons of granite, limestone and sand and gravel in its major quarries and pits, enough to last its customers well into the 21st century.

Tarmac America will shortly see the benefits of a \$14 million investment programme at its cement plant at Roanoke in Virginia. The plant is one of the largest in North America and is Virginia's only Portland cement manufacturer. It has reserves of over 200 million tons of limestone – producing over 1 million tons of cement a year.



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### INVITATION TO BID

Philippine National Oil Company - Energy Development Corporation (PNOC-EDC) has received a loan from the International Bank for Reconstruction and Development (IBRD-World Bank) towards the cost of the Bacon-Manito I Geothermal Power Project and it is intended that part of the proceeds of this loan will be applied to eligible payments under the contract for.

A. EDC Bid No. WB2969-89-01 - Supply and Delivery of Drill Pipes for PNOC-EDC as follows:

<u>ITEM</u>	QUANTITY
1. 3-1/2" OD Grade E Drill Pipes 2. 5" OD Grade G Drill Pipes 3. 5" OD Grade E Drill Pipes	250 jts. 125 jts. 312 jts.

B. EDC Bid No. WB 2969-89-02 - Supply and Delivery of Drilling Consumables for PNOC-EDC as follows:

QUANTITY

I. Bentonite	114,000 bags
2. Other Mud Chemicals	31,120 bags
3. Oilwell "G" Cement ·	84,600 bags
4. Cement Additives	31,205 bags
5. Tricone Roller Bits and	372 pcs.
Jet Nozzles (26"	•
1-17-1/2", 12-1/4" and	
8-1/2" diameter bits)	
6. 7-1/2" OD x 4" ID Diamond	7 pcs.
Core Head	
7. Casings (30", 20", 13-1/4",	
9-%" and 7-%"OD)	104,140 feet
8. Heavy Weight Drill Pipes	3,410 feet

PNOC-EDC now invites sealed bids from eligible bidders who may obtain the bidding documents at the office of PNOC-Energy Purchasing Department, Petrophil Bldg., 7901-Makati Avenue, Makati, Metro Manila, Philippines, Telex Numbers RCA 22259 PNO-PH, EASTERN 63667 PNOC-PN, ITT 45270 PNOC PM, FAX No. (632) 8106728.

Tender Documents and Specifications are available to interested bidders at the above PNOC Energy Purchasing Office starting April 17, 1989 between Monday to Friday from 8:00 A.M. to 4:00 P.M. upon submission of a written application and upon payment of a non-refundable fee of Three Hundred Pesos (P300.00) per tender for domestic bidders or US\$45.00 per tender to defray expenses for air courier service for foreign based bidders.

A one-kilogram sample per product, packed in an air-tight moisture-free plastic or glass container, for cement and other drilling chemicals to be offered must be submitted for testing to the above PNOC Energy Purchasing Office not later than May 15, 1989. Late samples will not be accepted and corresponding bids' will be

Bids must be accompanied by a bid security equivalent to US\$2,000.00 or two percent (2%) of the total bid price, whichever is higher, to be secured from a bank or bonding company acceptable to PNOC and must be delivered to the above PNOC Energy Purchasing Office on or before 12:00 noon of June 8, 1989 (Manila Time), Public Opening of bids shall be held immediately at 2:00 P.M. on the same day.

PNOC reserves the right to reject any or all bids and/or accept any bid in full or in part without assigning any reason thereof.

For purposes of clarifying certain issues, a pre-bidding conference will be held at PNOC Energy Purchasing Office on May 2, 1989 at 2:00 P.M. Manila Time.

Address all communications to Energy Purchasing Manager at the previously mentioned address. No question on administrative and technical aspects shall be entertained after the pre-bid conference.

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# The Toyota effect: An assault on Europe; A plant in Derbyshire; Marketing strategy

# Car makers plan drive into Europe UK group

By Kevin Done, Motor Correspondent

THE announcement by Toyota, Japan's largest and the world's that it is ready to take the plunge into fully-fledged Euro-pean car assembly, means the gloves will now be taken off by the Japanese auto industry as it moves to take advantage of the single European market after 1992.

Toyota's investment signals the start of the battle for the European car market in the 1990s, and it highlights the current vacuum in policy-making within the European Commu-nity for dealing with the wave

of Japanese inward investment in Europe's motor industry. The EC is still in disarray over how to remove the narrow bilateral restrictions on direct Japanese car imports that pres-ently exist in markets such as Italy, France and Spain, and to a lesser extent in the UK.

There is also disagreement over imposing regulations on the amount of local content - domestically produced components - used by Japanese vehicle makers when they opt

for EC assembly plants. Nissan, the second largest Japanese car maker led the Far East assault wave when it decided in the first half of the 1980s to set up a European car production base - also in the UK. Full output of 200,000 cars a year should be reached dur-

Direct imports have already given the Japanese motor industry an 11 per cent share of the West European market
- and around 9.5 per cent of
the EC market - but the impact of the various import restrictions has limited further progress from outside.

Hostile reactions from Euro-pean car producers in France and Italy have not deterred Japanese producers from pursuing an increased stake in the world's richest car market. West Europe overtook North America in 1987 as the world's largest car market - sales rose to a record 12.97m last year - and it was clear that sooner or later the Japanese producers would have to establish local production, to be closer to such a fast-growing

The Japanese have already shown what they are capable of in European countries unprotected by quotas. In Austria Japanese vehicles last year accounted for 33 per cent of the new car market, in Finland their share was 42.1 per cent, in Switzerland 31 per cent and



THE ONLY word of Japanese known to Councillor David Bookhinder, Labour leader of Derbyshire County Council (above) was the one he least wanted to use during negotiations with Toyota over their possible move into the county. Sayonara, after all, means goodbye, writes Richard Tomkins.

But what he and his team lacked in linguistic skills, they made up for in manners. With help from the Japan Business Services Unit at Shef-field University, they learned to avoid faux pas such as snorting rumbustiously into their ha kerchlefs during negotiating sessions with the Japanese, or the disrespectful insertion of their isitors' business cards into the top pocket instead of the wallet... The world will never know how far such

niceties played a part in persuading Toyota to build its £600m European car assembly plant in Derbyshire, the Midlands, but several practicalities undoubtedly came higher up the list.
One was the site itself. The 280-acre airfield

is already designated for industrial use and is tional map."

surrounded by another 280 acres of land avail-

able for expansion.

Derbyshire also has an above-average proportion of its workers in manufacturing Industry-Rolls Royce, the zero-engine maker, and British Rail Engineering Limited's railway workshops

"I think we have changed the whole economy of Derbyshire in one fell swoop," says Mr Book-binder. The county will now aim to capitalise on Toyota's decision by setting out to attract Japanese manufacturers in high technology sec-

tors as well as the automotive industry.

"We can now go out and tell them to have faith in the market research of Toyota," he says. "We've got the land, we've got the workforce, we've got it right. From now on, as far as a says and the interpretation of the inter

in Sweden they increased sales by 29 per cent in 1988 to push their share to 26 per cent.

In Italy, a market which has been restricted since 1957, direct Japanese imports are restricted to 2,550 cars and 750 off-road vehicles. Japanese imports via other European countries pushed total Japanese car imports to Italy last year to around 20,000 cars, but this was still less than one per cent of the market. Fiat presently controls 60 per cent of the Italian market, and Italy accounts for no less than twothirds of its total West European car sales.

For the French car industry the prospect of being exposed to the full force of Japanese competition is equally threat-ening. It currently limits direct Japanese imports to five producers, Toyota, Nissan, Mitsubishi, Honda and Mazda, which

share 3 per cent of the market. Sensitivity in Paris towards the penetration of the French market by Japanese cars built in the EC has already been amply demonstrated by trade row between France and the UK over access to the French

market for Nissan's UK-built Bluebird cars. The announce-ment earlier this week by Lord Young, UK Trade and Industry Secretary, that the French Government had withdrawn its threat to include UK-built cars in its quota for direct Japanese imports, appears to have defused the row, but it is unlikely to have diluted French pressure for restrictive

EC import quotas.
The UK Government's championing of the Nissan cause was well calculated to appeal to Toyota, as it hunted for a base on European shores. The issue of local content is

still an area of confusion in the EC. To the indigenous European car makers the idea of a strict local content regime is appealing as a way of making Japanese assembly in Europe as costly as possible. In the absence of EC rules or

clear precedents most progress on local content has been made in the UK, not surprisingly as large part of the first wave of Japanese auto industry investment in the shape of ventures

by Nissan and Honda.
In all these cases the UK

remain two of the county's biggest employers.

A third sweetener was the suggestion that
the county's local authority pension fund would
invest £20m in Toyota if the company set up in

we're concerned, Derbyshire is on the interna-

Government has reached ments that stipulate that the vehicles in question will first be considered as UK-built when they reach 60 per cent local content, but that the local content must be raised to 80 per cent within a transition period of two to three years. The UK uses a value based local content formula, taking the ex-works price of the car minus the value of imported components and materials from outside the EC. What some European car

producers have chosen to ignore so far is that these agreements are purely volun-tary. The European Commission appears to have concluded that it is unable to impose any local content regime by law, as this would be in direct contravention of the General Agreement on Tariffs and Trade.

The best European vehicle producers can hope for is probably a series of voluntary agreements in the pattern of the UK's Nissan and Toyota deals. Having established this bridgehead, however, the UK will be hard pushed to agree the sort of tougher regime that Italy and France would prefer.

# to lead sales outlet expansion

TOYOTA WILL have to expand its West European dealer net-work radically to cope with the increased sales volume to be created by its UK assembly plant, writes Kovin Done.

Inchcape, UK-based interna-tional services and trading group, will play a leading role in the expansion. Inchcape is probably Toyota's biggest inde-pendent importer/distributor. Toyota will be forced to enter the volume sectors of the market, which will take it into more direct competition with the main European volume car-makers in the important

car market, a path already being taken by Nissan. At present, Japanese vehicle-makets face severe restrictions on sales in several Enropean markets, most par-ticularly in France, Italy and

fleet markets and the company

Spain, but also to a lesser extent in the UK.
Unable to increase its sales volume significantly because of import quotas, Toyota has been able instead to improve its model mix, competing in the more profitable niches of each market segment.

The UK has been a prime example where close to a quar-ter of its sales have been made

up of sports cars, the miden-gined MR2 and the Supra and Celica sports coupés. In the UK last year, restricted to a share of only 1.8 per cent. Toyota sales of its Starlet small car amounted to only 702 cars. By contrast, it sold more than 2,000 Supras. and more than 3,000 MR2s.

The big car-makers have habitually chosen to establish their own importer/distributor companies in principal mar-kets around the world. But in Europe, under the burden of quota restrictions, Toyota has previously taken that route only in West Germany.

The Federal Republic is

Toyota's single most important market in Europe, with sales last year of \$5,000, compared with 39,800 in the UK. Overall, Toyota's sales in Western Europe totalled about 350,000, giving it a share of some 2.7 per cent of the new car market. Inchcape, which holds the Toyota franchises in several European and overseas markets, accounted for nearly 30 per cent of the manufactural sales in Europe last year.

# CBI protests at increases in electricity prices

THE CONFEDERATION of British Industry (CBI) - the UK employers' organisa-tion – yesterday delivered its strongest protest yet about ris-ing electricity prices and said nuclear power stations should be exempted from the privati-sation of the electricity indus-

Mr John Banham, CBI director-general, in a speech in London, also said the electricity industry should be authorised to negotiate special prices for large industrial customers based on the cost of supplying them.

He claimed in a speech to the Energy Industries Club that the Government was relying on "threadbare" arguments ing on "inreadbare" arguments to justify price rises which were having the effect of "inflationary own-goals" and making British industry less competitive in Europe.

He asked why British Coal's achievement in reducing prices to power stations had not also been passed on to consumers

been passed on to consumers in the form of cheaper electricity prices.
Instead, electricity prices

By Maurice Samuelson

BRITAIN'S state-owned power

buttaint's state-owned power supplier, the Central Electricity Generating Board (CEGB), yesterday applied to build the UK's third nuclear power station with a pressurised water reactor (PWR) on Anglesey, an island off the coast of North Wales.

It also announced its intention to seek permission this summer for a further PWR sta-

stimines in a lutther PWR sta-tion in eastern England at Size-well, Suffolk, on the east coast of England, where Britain's first PWR is being constructed.

The announcements under-line the Government's determi-

nation to develop more nuclear power in the electricity indus-try, which it plans to privatise, even though it is more expen-sive than coal or other fossil

fuel-based electricity.

**CEGB** applies for

at Sizewell.

Welsh N-reactor

rose by an average of 9 per cent last April and further increases of 7-9 per cent on average had recently taken place in regions where manu-facturing industry was concen-

The effect of steady price rises would add more than £1.5bn to business costs over the two years, of which £200m. would fall on intensive users of electricity — "the very sector which has been the driving force behind our economic recovery."

The Government said the price rises were needed to enable the industry to generate funds to finance a massive investment programme. But Mr Banham an almost debt-

Mr Banham an almost debt-free did not need any price increases and much of the new capacity could sensibly be financed from debt.

Mr Banham also called on the Government to delay the sale of nuclear power, with the equity remaining in Govern-ment hands until the sale of the balance of the industry was completed and more was known about nuclear costs.

# Unipart to expand components activities

By John Griffiths

UNIPART, the parts and accessories division of Rover Group which was privatised in a management-led buyout in 1987, is stepping up investments in production facilities aimed at substantially extend. aimed at substantially expanding its components manufac-turing activities.

It is developing links with leading equipment suppliers in Japan to help reach this goal, according to Mr John Neill, Unipart's group chief executive

One result of this already is £120m contract under which a Light contract under which Unipart is to supply exhaust systems and fuel tanks to Honda, the Japanese vehicle manufacturer, and Rover for

manufacturer, and Rover for their new joint car, codenamed R8, to be launched in Europe at the end of this year.
Unipart also plans to developing a national UK network of retail car parts and accessories "superstores" and servicing cantres.
However, the accelerating investment programme will mean "limited, if any" earnings growth in the current this

ings growth in the current this year, said Mr Neill.

Mr Neill was commenting on the company's disclosure yes-terday of pre-tax profits last year which, at £15.62m, were up 27.3 per cent on Unipart's first year as a private company.

The profit was achieved on a

turnover last year of £478.5m, compared with £428.04m in 1987. This was despite capital spending of £20.9m, almost three times the £7.9m level of the previous year.

## FT journalist wins award

After privatisation, the nuclear programme will be subsidised through the imposition of a nuclear tax on electricity tariffs.

The CEGB's application to Mr Cecil Parkinson, the Energy Secretary, was made in the name of National Power, the larger of the board's two generating divisions being groomed as independent companies when the CEGB is privatised next year. BARRY RILEY, Investment Editor of the Financial Times, has won the annual Barold Wincott senior award for financial and economic journalism. He wins £1,500.

The junior award for 1988 was won by Wolfgang Munchau of The Times. The award for best financial and business fournal was won by the Representations.

vatised next year.

The 1,200 MegaWatt station, at Wylfa, Anglesey, would cost about £1.5bn and would be a replica of the existing station journal was won by the Economist. Awards for financial Subject to approval, con-struction work could begin in autumn 1991, and the plant broadcasting were won by the Channel 4 programme, Busi-ness Daily, and Peter Day for contributions to BBC Radio 4. would become fully operational before the end of the century.

# Report finds safety standards at Tube stations 'inadequate'

By Rachel Johnson

SAFETY provisions at London Underground stations are still "inadequate" 18 months after the King's Cross fire, in which 30 people died, the Fire Brigade reported yesterday. Inspections by the Fire Bri-gade on 10 stations on the so-called Tube network con-

cluded fire safety precautions were "in many cases" inade-

Means of escape from stations, access for fire fighting, and alarm systems were still failing to meet public safety requirements, inspectors said.
Inspections revealed cigarette ends, fluff and grease on escalators and missing extin-guishers.

The report was criticised by Mr Dennis Tunnicliffe, manag-ing director of London Under-

ground, who said: "This was a stunningly unhelpful to say as it was not in their remit. They should have kept quiet."

The report's evaluation of

fire safety could undermine public confidence in the ser-vice following the 1987 King's Cross fire. From next month the bri-gade will have the power to close tube stations if their safety standards are a public

• London Underground workers have voted to take strike

action over the management's proposed changes in staffing and promotion arrangements.

A ballot of 9,283 National Union of Railwaymen produced a seven-to-one result in favour of a strike

## Pre-planned repayment debt totals £14.3bn

By Raiph Atkins, Economics Staff

THE UK Government repaid £14.3bn of debt in the 1988-89 financial year – the first preplanned repayment for almost 20 years, according to Treasury figures published in London

requires public sector borrowing requirement last month was £2.5bm, slightly less than forecast by analysts. That cut the total debt repayment, or PSBR surplus, last year to within a whisker of the £14bm forecast in the Rudset by Mr Niest in the Budget by Mr Nigel

Lawson, the Chancellor of the Exchequer.

The Government usually borrows heavily in March as departments seek to meet budgets before the end of the financial year. The PSBR last month commend with the second control of the secon

month compared with £3.8hn in March 1988. The large debt repayment

- £10bn more than forecast

- last year reflected buoyant
growth in government revenues compared with expenditure.





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### UK NEWS

# EC objections may force changes to water sell-off

By Philip Stephens, Political Editor

THE GOVERNMENT may be forced to amend its legislation privatising the water industry, to defuse objections by the European Commission which still threaten to delay the sale beyond its November target

Ministers are considering changes to a key clause in the water bill which, at present, would allow the Government to exempt privatised water companies from prosecution for failing to meet European

Community purity standards.

The clause, which the Government insists would only be operated if the companies abide by an agreed timetable to comply with European standards, is designed to reassure potential investors in the

industry.
Without such a provision, investors could be deterred from buying shares in companies which faced potential prosecution under EC law for falling to meet the water qual-

ity regulations laid out in a 1980 directive.

The Commission, however, has indicated that the Government has no authority to grant exemptions from EC law. Officials in Brussels have pointed out that Britain should have implemented the new standards by 1985 and that they should have already been incorporated into national leg-

The threat is that if the Government attempted to press ahead with the legislation in a court challenge in the Euro-

CHIEF EXECUTIVES from six local authorities are to meet in Birmingham today to challenge the Government's right to privatise the water industry without compensation to rate-payers, writes Richard Tom-

Local councils are angered by the fact that the Government is to benefit from the sale of water supply and sew-age disposal systems built at ratepayers' expense in the late 19th and early 20th centuries. The assets passed from local authority ownership to the water authorities in 1974, and the councils now estimate the

Financial observers reckon the water authorities will be sold for between £5bn and £7bn. The six authorities leading the claim are Birmingham, Exeter, Hull, Liverpool, Man-chester and Sheffield.

value of the industry at £27bm.

pean Court of Justice. That, in turn, might force a delay to the sale, which would prove a major political embar-rassment for the Government and could also wreck the tight timetable already prepared for the sale of the electricity Ministers are now looking at

ways to soften the clause. One suggestion is that exemptions could be granted only if the Commission was satisfied that companies were doing enough to upgrade water purity. The Commission has also even if the clause is changed it will not lift the threat of legal action until it is convinced that the water companies will be able to meet their invest-

ment timetable.
Brussels is seriously concerned about how far much of Britain's drinking water falls below the standards laid out in the 1980 directive. The Commission is particularly comcerned about the high levels of lead, heavy metals and nitrates

in the water.
Yesterday, a Commission official said Brussels had formally warned Britain that there was excessive lead in most of Scotland's drinking water and that nitrate levels in Yorkshire and Norfolk were

too high.
Against that background, the Commission will need to be convinced that the privatised companies have sufficient resources to meet the esti-mated £3bn cost of complying

with EC rules. Earlier this week, several Conservatives in the House of Lords said the proceeds of the planned sale should be ploughed back into the industry to finance such an invest-

eent programme. Ministers insist there should be little problem in resolving the differences in time to prepare for the planned sale in

The Commission, however, is far from sanguine that it will be ready to lift the threat of action in the European Court unless Britain is ready to adopt

Thatcher is to make another visit to the Soviet Union next

summer at the invitation of

The offer was extended yes-terday to the Prime Minister by Mr Vladimir Petrovsky, the

Soviet deputy Foreign Minis-

ter, when they met in London at the information forum.

Mrs Thatcher's latest invite tion, following her visit to Moscow and Tbilisi in 1987,

President Gorbachev.

in Lords

By Raymond Hughes, Law Courts Correspondent A SPECIAL hearing was announced yesterday to decide whether Lourbo, the internewhether Louising conglomerate, was guilty of contempt of the House of Lords, the upper chamber of the UK Paritament, in its long-running compaign over the House of Fraser strongs.

Lonrho to

face hearing

on contempt

stores group.

A committee of Law Lords

the country's most senior
judges - will sit on May 15 to
deal with the case which concorns Lonrho's bid to force corns Lourno's bid to force
publication of a Government
report on the takeover of the
House of Fraser group - including the Harrods store
- by the Fayed family.

If they find contempt proved
and Mr "Tiny" Bowland, Lourho chief executive, could be
isited or fined - or both

rho chief executive, could be inited or fined — or both — and Lourhe could be fined. The form of the proceedings has not yet been decided. The Law Lords may decide the matter is covered by the 1981 Contempt of Court Act. However they may invoke an 1803 resolution of the House of Lords about "Private Solicitation of Members."

Erskine May, the "bible" of

Erskine May, the "bible" of parliamentary procedures, refers in a chapter on Breaches of Privileges and Contempts to a resolution by the Lords on June 6, 1803, that "the private solicitation of Members on matters of judi-cial proceedings" was a breach of privilege and that it would also be a breach of privilege "to influence them in the dis-charge of their duties."

It is believed there has never been a contempt case involving the Law Lords based on the resolution. The judicial office at the House of Lords said yesterday it had been unable to find a legal procedent this century.

The matter concerns the publication on March 30 of a special issue of the Lonrho-owned Observer newspaper containing large extracts from the Government inspectors' report on the 1985 takeover of House of Fraser by the Egyp-tian Fayed brothers.

Copies of the newspaper were sent to Law Lords due to hear a Lontho appeal. The question to be dealt

with on May 15 will be whether the circumstances of the publication constituted a contempt.

The contempt issue was first raised on Monday last week by

five Law Lords who were the due to start hearing Lourho's final appeal. This was for orders requiring Lord Young, the minister responsible for Trade and Industry, whose department wrote the report, to refer the House of Fraser acquisition to the monopolies watchdog, the Monopolies and Mergers Commission and to publish his inspectors' report. Later that day Lonrho apologised and said that the copies had been mailed to the Law Lords as a result of "an admin-

# Thatcher warning over media

made it clear, however, that

By Raymond Snoddy

MRS Margaret Thatcher, the Prime Minister, gave a warning yesterday that it was the duty of the media to use their

freedoms responsibly.

She told delegates from 35 nations at the opening of the London Information Forum that this meant respecting the rights and privacy of individu-als, respect for fairness and balance and respect for accu-Lack of respect for any or

all of these represents an abuse of the freedom of the media," said Mrs Thatcher at the forum, which is examining of information in light of the Helsinki agreements.
Governments, Mrs Thatcher said, were criticised by those who said no restriction was ever right and by those who wanted to restrict freedom more through censoring a book such as Mr Salman Rushdie's Satanic Verses which had broken no British law.

"This must never be an area

cretion: it must always act

within the law," she said.
The Prime Minister argued that there were times when it was proper for the law to restrict freedom - in cases of national security and to prevent terrorists from using the

media to promote their aims.
"I make no apology for measures taken to prevent men of violence using television and the radio to spread fear and create an illusion of authority. Terrorists have no respect for freedom," Mrs Thatcher

argued.
The aim of the Forum, Mrs Thatcher said, was to encour-age everyone to adopt the basic Helsinki standards for free exchange of information.

Countries which tried to not just fail to live up to their commitments under the Helsinki accords, Mrs Thatcher said, "they condemn their peo-ple to lower standards of living and a second-rate existence." Michael Cassell adds: Mrs

### came only two weeks after President Gorbachev's visit to Britain. When he left, he made it clear that Mrs Thatcher would again be welcome in the Soviet

The Prime Minister will attend British Week in Klev in June 1990, although it is also other cities.

The new invitation will be seen as further evidence of the important role which Mr Gorbachev believes the British leader has to play in improving

en when the project was

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# BNFL fails to reach financial targets

BRITISH Nuclear Fuels (BNFL), the state-owned nuclear fuels processing group, has consistently failed to achieve its medium-term financial targets and has not kept pace with the general perfor-mance of British industry in recent years, according to a report by the National Audit Office.

The report said, however, the Department of Energy, the principal shareholder in BNFL, had introduced new performance targets in January 1987 and it was hard to evaluate the extent to which the department's objectives for the company were now being achieved.

The report, which covered the financial performance of

the company, follows last week's broadly critical report by the House of Commons energy committee, which ques-tioned the large price increases recently imposed by BNFL. The Auditor General's report highlighted the rising costs and delays of the thermal oxide

planned. Although the profits and div idends paid since 1981 had increased, BNFL had failed to meet financial targets in four of the past five years. The department attributed that in part to the rising costs of

improved nuclear safety.
The Audit Office found little evidence up to 1986 that BNFL had improved efficiency or profitability materially. The company's future success would depend on whether it continued to meet performance targets, after the adoption of a

strategy in 1987 aimed at improving efficiency.

Department of Energy: Monitoring and Control of British Nuclear Fuels plc. Report by the Comptroller and Auditor General. National Audit Office. HMSO. £4.10.

### reprocessing plant at Sellafield, in north west England, and said the plant would have to operate in a more highly com-petitive environment than was **IRA** costs railway £1m

IRA bomb attacks on the cross border rail link between Bel-fast and Dublin has cost rail-way companies more than £1m this year, it was revelaed yes-

talls year, it was revelaed yes-terday, agencies report.
As the rall link was closed again yesterday after an IRA attack, Northern Ireland Rall-ways said their business had dropped by 30 per cent in the last month.
Mr Tum King the Secretary

Mr Tom King, the Secretary of State for Northern Ireland, said the British and Irish Governments would do their utmost to keep the service

operating,
An IRA bomb campaign has disrupted services. On Monday two Semtex bombs were defused on the line and two more suspect devices were found yesterday.

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### MANAGEMENT

7 hen Johann Adam Benckiser founded his chemv icals company in 1823, BASF, West Germany's biggest chemicals conglomerate and today Benckiser's neighbour in the industrial city of Ludwigshafen on the Rhine, was still an apple in its founders' eyes. Benckiser's subsequent

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growth may have been less dramatic than that of its counterpart. But while the group, which now has 4,200 employees and sales of DM 2.1bn (£662m) in 1988, may not make giants like BASF tremble, it still gains plenty of attention of late.

out in the banking community as one of the best examples of adapting to keep itself competitive, particularly ahead of 1992. For some bankers, it is an object lesson to other members of Germany's Mittelstand — the vast number of small and medium sized companies described as the country's eco-nomic backbone — if they are to survive in a world domi-nated by conglomerates.

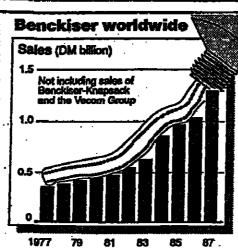
Benckiser's approach has been based on restructuring and internationalisation. About 90 per cent of sales now stem from outside Germany, while turnover has almost quintupled since 1979, with an average internal growth of around 14 per cent boosted by

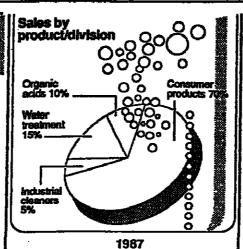
a string of acquisitions.
You have to be able to sell businesses even if you've been in them for 50 years and they're highly profitable," says Peter Harl, the ex-Boston Consulting Group executive who has been on the managing board since 1981 and its chief

From around 20 per cent of sales in the mid-1960s, brandname personal hygiene, dishwashing and cleaning goods now account for around 90 per cent of turnover, with water treatment products making up treatment products making up says Harf. "We're always try-the rest. One product, the ing to do things differently water softener Calgon, has from our competitors. If 10 become internationally known, groups all do the same thing, while dishwasher detergents like Calgonit and Finish have also built up strong market

positions in western Europe. Benckiser's decision to concentrate on consumer products was partly a consequence of its structure in the 1970s. Although primarily then a chemicals group, it had gained plenty of experience with consumer goods, which were sumer goods, which were italian washing and cleaning already its most profitable materials producer, for around business. Moreover, the company had built up a widespread full control of Panigal, an Ital-







# A private view of adaptability

Haig Simonian reports on Benckiser, the West German chemicals group that is showing how it can remain competitive without recourse to outside finance

decided to change strategies in the 1980s and bring in young

Dr. Peter Harf

outside talent it was a question of "straightforward advantages of scale," says Harf.
"We had the luck to inherit a structure in which the European subsidiaries were already in place," he recalls. With the foreign subsidiaries "greatly outperforming the German ones," Benckiser was already forced to act like a European operation. "1992 is a fact of life; we have no grand plan, we're in it now," reckons Harf, in relation to the current pressure on many domestically oriented groups to internationalise. "All the things confronting many executive for just over a year.

Consumer products have European companies today underpinned his strategy. faced Benckiser 10 years ago."

> he fact that many large companies were at the time divesting unwanted subsidiaries added to the appeal of consumer products, you're in deep trouble, espe-cially if you're smaller than the others."

Once sure of its strategy, Benckiser spent heavily to build up its position, in July 1987, it bought the worldwide consumer products division of the US Ecolab group for \$238m. Last year came a majority stake in Mira Lanza, a leading

European sales network. ian detergents and foods group, So when the company for L165bn.

Disposals from what Harf describes as a "very, very diversified" group also came fast. Ship cleaning went via a management buy-out for DM 35m; industrial cleaners were bought by Laporte Industries of the UK for DM 95m; and organic acids, Benckiser's orig-inal business, was sold to an Austrian group. In February, Panigal's food division, which did not fit in with Benckiser's consumer products strategy, was sold to CPC (Europe), the food and milling group, for an undisclosed sum.

In all, Benckiser has made disposals of around DM 200m, while buying companies for a total DM 1.2bn since the mid-1980s. Such policy is hardly typical of the normally ultra-conservative Mittelstand, where buying – and especially selling – businesses is rare. Harf has harsh words for the attitude of many Mittelstand

companies, which have put inadequate stress on making assets perform. The German system will eventually change, but companies must first be prepared to shed businesses as well as acquire them, according to Harf.
The decision to concentrate

on consumer products also required a shake-up of Benckiser's management structure in order to bring the company closer to its customers. In the 1970s, Benckiser was what Harf describes as a typical German exporter, with a dominant parent company and highly centralised responsibilities. The group had been run on functional lines, while co-ordination of foreign activities had a relatively low priority.
"The structure was perfect for a domestic export-oriented company like BASF," the sales of which, like those of Benckiser at the time, were mainly to large clients. But "it was horrible for a business where the

value-added came through local distribution and sales," as

with high street consumer

products, says Harf. Benckiser has now become a regionally driven operation with a much greater stress on national profit centres, each of which is run by a powerful local general manager. Only three of the six members of its managing board are based at its Ludwigshafen headquarters, with the others working out of the group's key operat-ing countries. Board meetings often take place at Frankfurt

airport, with English the work-

ing language.
To speed decision-making and emphasise the hands-on approach, all the board members, except the finance director, combine a country, regional and functional responsibility. Alexander Biann runs the group's French business, Benckiser's second biggest market with annual consumer products sales of DM 170m, accounting for about 11 per cent of group turnover.

However, Bianu is also in charge of part of northern Burope, and has a sales respon-sibility for the group as a whole. Likewise Wolfgang Bil-Istein looks after Italy — now

Truck Color

Benckiser's biggest single mar-ket with around 40 per cent of group sales - together with Switzerland, Germany, Denmark and the UK, as well as

group marketing. Harf admits it is a fairly complex structure. Apart from their group responsibilities, people on the board are also running an individual com-pany every day," he says. That puts a lot of pressure on board members, but "we now think we have what we want."

s a private company — the shares are held by members of the Reimann family — Benckiser's published results say little about its real profitability. Its 1987 accounts showed net profits of just DM 830,421. Results for 1988 to be appropried in for 1988, to be announced in July, should offer a consoli-dated balance sheet for the first time, but Harf implies it may still be only a partial pic-ture as far as profits are con-

He rejects suggestions that Benckiser overpaid for some cent acquisitions, notably in Italy, where its 16 per cent share in the consumer products market means it now ranks almost on a par with giants like Unilever and Procter & Gamble, which have 22 and 17 per cent respectively. Harf also denies that Benck-

iser has indulged in expensive bidding battles, notably with Henkel, its appreciably bigger German rival, which has been an equally active acquirer, to snap up the steadily diminish-ing band of independent European consumer products

Benckiser has been beaten to an acquisition as often as it has succeeded, he insists. "We didn't get a chance to put our foot in the door," when Henkel bought Lesieur-Cotelle in France in 1987. "I've lost as often to Henkel as they've lost to me. I've a lot of respect for

But is a medium-sized private company not bound to run up against financial barriers when competing for take over targets with a group like Henkel, let alone giants like P&G and Unilever? Benckiser has not even adopted the concept – typical of the German Mittelstand – of having a "hausbank" which guarantees

long-term credit. Harf explains that disposals have boosted the coffers, while the consumer products business has a "very sound" cash flow. As for banking, the com-pany's decision to go for the transactional relationships familiar in the US rather than the German model has not held it back so far, he thinks. It may soon broaden its funding base further by making its debut in the Eurobond market once its name is better known among institutional investors.

Yet for all its unorthodoxy, one factor brings Benckiser very much back into the Mittelstand fold: its steadfast opposition to going public. Rather than unwanted publicity or excessive attention from the tax man - the reasons sometimes given by bourse-shy German companies - Harf cites barriers to fast decisionmaking as his main argument against a flotation. A quoted company structure would com-promise Benckiser's highly flexible management system,

he argues. Wider ownership might also have stood in the way of some of Benckiser's more ambitious deals, which doubled its sales in the past two years and saw it buying companies which were almost as big as itself, he argues. And if it really needed capital, Benckiser could always sell small stakes directly to the banks, he says.

Meanwhile, the company will remain on the look-out for further acquisitions. As Benck-iser is highly focused, the potential range is limited. "We have to be completely driven by what the market dictates," he says. "It depends on what deals are available and on how we can convince our shareholders and hanks. It could be we'll grow at the rate of inflation, or it could be we'll double in size again in two years. I'd try to double."

# Forecasting is easy when talking of the present

By Michael Skapinker

"I READ a lot of history," a well-known American consultant told me recently. "I try to Many people believe in keep-ing up with the past. They regard it as the most reliable

guide to the future. Karl Marx believed that all history was the history of class struggle. His reading of history told him that the workers would overthrow the bourgeois state and its bogus liberties and introduce an era of true freedom.

History, apparently, pro-vided no hint that the leaders of proletarian states might one day decide that bourgeois free-doms, and even capitalist markets, were not such bad ideas after all.

Those who predict the future on the basis of the past have one thing in common with those who rely on crystal balls: they are usually wrong. Nothing, however, can stem the torrent of predictions from those who believe that they. finally, have found a way of foretelling the future.

The latest to join this indomitable band is Spyros Makridakis, a professor at Insead in Fontainebleau. His predictions appear in an article entitled Management in the 21st Century. "What will business firms look like in the 21st century?" he asks. "What types of managers will be needed to operate them?" Makridakis is quick to

acknowledge that those who attempt to answer such questions have given forecasting a bad name. Think of all the predictions that have not come true, he says. The widespread use of nuclear power. A computer becoming world chess champion. Plastic teeth.

Like every forecaster who has gone before him, Makri-dakis believes that he can see where others have gone wrong. They have, he says, confused temporary cyclical patterns with permanent changes. Thus, the increase in oil prices after 1973 was thought to be permanent.
Like Karl Marx, Makridakis
believes in looking\_at\_the

long-term patterns. He lists major innovations since the dawn of civilisation, from primitive tools to putting a man on the moon. A study of these breakthroughs, he says, reveals the following conclu-

The manual work performed by human beings has been supplemented (through the use of tools, for example), substi-tuted (eg by using tractors for

(eg by using cranes to lift heavy weights). The supplementation, substi-tution or amplification of manual work by machines was the mark of the industrial revolution. The computer and information revolution is now doing the same for mental

work.
The two revolutions have

land cultivation) or amplified

much in common, Makridakis says, except that the informa-tion revolution is happening much more quickly. The strong parallels make it possible to predict some of the changes which will flow from the information revolution. Just as the industrial revolu tion caused a drop in agricultural employment, so the information revolution will result in a drop in manufacturing employment. Manufactur-ing companies, however, will increase in size. On the other hand, there will be a place for small firms to supply the giants. Specialised manufacturers will provide for specific markets. Small service firms will also have an important

Many repetitive manage ment tasks will be performed by computer. Dealing with people will become the manager's most important job. There will be fewer employees to manage, but their work will require a higher level of cre-

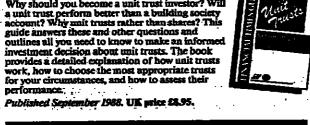
Makridakis probably has greater chance of being right than other forecasters. But that is because what he is describing is not the future. It is the present. All the trends he mentions are already evi-

Many managers, however, have not learned how to deal with them. What they need to do is establish a framework in which creativity can flourish. But many are stuck in an earlier era when management was all about controlling people. Rather than keeping up with the past or predicting the future. what managers really need to do is catch up with the present.
\*Long Range Planning, April

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**FINANCIALTIMES** 

# Benefits, and risks, of trying for a degree

By Michael Dixon

status as a company that all recruits for professional-type work have degrees," he said. THE BEST basic careers advice anyone could give young people today is to get a degree before taking a job. Even in Britain, where higher education is less esteemed by employers and while then it is clearly any other taking a positive of the second services. public than it is elsewhere, graduates' prospects are far better than those of people leaving full-time study lower down the academic ladder It is an advantage likely to grow as supplies of young recruits dwindle, despite some employers' moves to spot and develop talent for

mentally demanding work in people without much success in scholarly examinations. For example, one financial group (its personnel manager asked to be anonymous) that normally requires a degree in a numerate subject as an entry qualification for its s analysts' jobs, has experimented with training

rate masks variances from one campus to another which chosen clerical staff for them. On balance, they do the work just as well for less money, and stay longer. The personnel manager nevertheless doubted that there would be any decline in

the preference for graduates. At last, however, the vell has been removed, at least from the universities, by a Indeed the reason why he requested anonymity was that he feared his seniors would resent the group's name being linked with the experiment. "It now seems to study by two members of Lancaster University's Management School, whose be thought essential to one's findings are summarised in

But however great the career gains offered by going on from school into higher A sizeable share of people taking courses for a degree do not in the end win one, and in the interval are apt to lose ground in the career stakes to school-leavers who went straight into a job. And while the time at university or polytechnic may prove valuable in other ways, it may equally well not do so. A broad idea of the risk is given by official estimates

that, in United Kingdom higher education as a whole, the share of full-time undergraduates not finishing their course is about 15 per cent. That is low by the standards of many countries. Unfortunately the overall

have been kept secret. Even a former Education Secretary turned backbench MP who inquired about them in a parliamentary question, was flatly refused the figures.

UNDERGRADUATES NOT COMPLETING THEIR UNIVERSITY COURSE Ran- University University 5.5 6.6 7.1 8.7 9.2 10.9 10.7 11.5 12.1 11.2 12.3 13.1 13.5 13.6 24 25 26= 16.1 Cambridge Liverpool 11.4 10.7 9.2 10.9 12.7 14.1 12.2 16.2 17.5 18.5 18.2 19.5 17.9 19.0 18.4 19.5 Mancheste Oxford Essex 26 == 28 29 30 31 Surrey Bristol York Exeter Bradford St Andrews Edinburgh Nottinoham Loughborough Wales UMIST Southampton Aston 21.9 19.9 19.1 21.3 20.1 22.4 23.1 22.2 24.3 26.3 24.5 24.9 15.9 East Anglia Uister 14.9 11.9 15.3 Leicester Newcastie Sheffield 11.9 15.5 Queen's Belfast Strathclyde 17.2 17.3 13.7 17.9 15.9 19 = Hull Glasgow 12.5 13.0 13.0 19 Sussex Aberdeer 21 = Kent 21 = Stirling 15.7 16.8 Dundee 23 Bath 10.6

"University of Manchester Institute of Science and Technology.

the table above. They are Dr Jill Johnes and Professor Jim Taylor who report on their research in the latest issue of Higher Education journal.

The basis of the rankings is the average rates of noncompletion among the three intakes of undergraduates who began their courses in 1979, 80 and 81. Although that seems along while ago,

the delay is unavoidable. The researchers felt it only fair to allow the students six years twice the standard length of most UK bachelor's degree courses - before counting them as non-completers, and statistics for 1987 were not available until recently.

My table includes all who failed to finish, whatever the reason, of whom about 8 per cent (or 1 per cent of under-graduates in total) moved to another degree course. At the huge London University, the percentage doing that is probably a good deal higher.

The study, supported by the Nuffield Foundation,

confirmed the two Lancaster dons' belief that several factors would have a bearing on universities' results.

One was that, since women were known to show more staying-power than men, institutions with high percentages of women under-graduates would tend to have lower non-completion rates So would universities whose entrants had gained high grades in the 18 plus exams. Another was that, since Another was that, since some subjects are evidently harder to cope with than others, the rates would vary with the mix of subjects taught. The overall noncompletion rates for main subject groups in 1979 were:

Education 3.9%
Medicine 17.1% 3.9% 17.1% Medicine Engineering Agriculture Science 8.0% 19.2% Social & business 7.6% 19.7% Architecture Languages Other arts 7.8% 18.4%

The Scottish universities generally poor results also confirmed the researchers' belief that since many Scots students start degree courses at the age of 17, they are more likely to have difficulty than entrants a year older. But there was one finding Professor Taylor and Dr Johnes neither expected nor wanted. It is that the more generously a university is staffed with dons, the worse its non-completion rate tends

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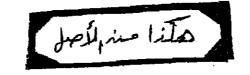
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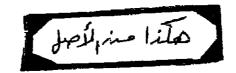
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Following the appointment of the previous postholder to the position of Chief Executive Officer, we are now looking for a talented and experienced qualified accountant to provide a full range of statutory, financial and management responsibilities. The postholder will have a key role to play in the corporate management of the Authority as internal business units and other new management initiatives are introduced to prepare Redditch Council for the 1990's and

Redditch Council is an innovative Local Authority committed to responding positively to the challenges facing local government and to the needs of the local community. First class financial and management skills will be needed as the Council continues its ambitious programme to make Redditch a better place.

Personal qualities of commitment, enthusiasm and proven initiative will need to be matched by wide experience at a senior level and a track record which demonstrates

If you are ready for the challenge and you have the right qualities, we would like to hear from you.

For your application form and further details please telephone Redditch 63241 (24 hour service) and leave your name, address and the post title or write to the Personnel Manager, Town Hall, Town Centre, Redditch, Worcs. 898

Closing date for the receipt of completed applications is the 2nd May, 1989.

The Council has an equal opportunities policy and applications are positively encouraged irrespective of sex, race and disablement. Creche facilities subject to availability.

BOROUGH of REDDITCH

### The challenge is just beginning A major multi-national corporation in a service industry and one of the most presti-gious names in its field, our client has an

c.£40,000 pa plus bonus, car

established presence throughout Europe. Although an acknowledged leader, they are not complacent, rather they pursue an aggressive marketing strategy and have ambitious plans for further growth. This key role carries full responsibility for

Director

the development and implementation of European marketing across the broad categories of product development; partnership marketing; database marketing; pricing; research and marketing systems, including the allocation of a marketing budget in the

region of \$30 million.

Probably aged 32-45, you will already have achieved considerable success, preferably in a European environment and ideally in

Marketing Officer

Our client is a leading international bank with a profitable and well-established presence in the UK and other World markets. As part of a major expansion programme, they wish to recruit highly motivated and sales-orientated Marketing Officers to establish a full range of marketing facilities in the Shipping. Energy and Asset-Based

These positions call for a confident personality, enthusiasm and good communication skills to adopt a 'hands on' approach to direct negotiations with clients for new business.

Candidates will be graduates with several years' experience including credit training, developing and selling financial products in a relationship basis to corporate and financial institutions within a banking-awarement.

Age: 27-35.

£28,000-£40,000

transportation or a travel related industry. Proven ability to handle a large advertising budget is essential. Obviously, any knowledge of European languages would be advanta-

The salary of c£40,000 pa will be enhanced by a performance-related bonns, a quality car and excellent benefits.

If you are ready to meet a greater challenge please telephone Bob Gunning, Senior Consultant, on 01-439 5740 (01-256 6925 evenings/ weekends) or write to him with full cv, quoting reference 928/JRG/89, at: Austin Knight Selection, Knightway House, 20 Soho Square, London W1A 1DS.

Austin Knight Selection

Credit Analyst

This leading Investment House is seeking to strengthen its Credit Resources through the recruitment of an experienced Credit Analyst with at least two years' credit

The successful candidate will be a university graduate who has had formal US credit training and possibly some exposure to Fixed Income, Capital Markets and Commodities. The role will involve a high degree of face to

Commodities. The role will involve a long nagree of pace to face client contact and you will have your own lending authority. Working on a mixture of Financial Institutions and other Corporate customers, you will need to have a forthright, creative approach to business, together with excellent communication skills and self-motivation. There

are genuine opportunities for career development and the benefits package will include a very generous performance-related boxes.

£25,000

Age: Mid-Late 20s.

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BANKING

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We are seeking a top quality <u>Financial</u> Futures Trader/Menager for a major international bank: Experience in all sepectar of institutional futures trading a pre-requisite (axisting contacts and/or floor superience an advantage). Substantial package £80K+. Please contact filt is a Morkey.

### Futures Trader

A leading Brokerage House requires an energetic Futures Trader with private clent experience. Excellent salary package. Please contact life ian Mariey.

# European Economist

Our client, a major international Securities Flouse, requires an Economist with forecasting experience. Excellent salary package. Please contact Dr. Etapeth Davideon.

# **Equity Analyst**

An analyst for the Financials sector is required by an international investment House. Several years experience in broking/fund management is essential. Please contact Dr Elepeth Devideon.

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London

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Our client has assets of £5 billion and faces exciting commercial challenges in the coming years. Following restructuring, the establishment of a strong Treasury function and excellent relatio with both commercial and merchant banks will be required to ensure efficient funding, which is essential to this capital-intensive business. This is a new appointment resulting from the company's changed structure and status.

You will play a leading role in setting up the treasury activities. Key responsibilities will include the implementation of a new Treasury Management System, the management of the dealing, settlements and funds forecasting functions, and the development and maintenance of effective banking relationships.

You will have acquired considerable experience of corporate treasury work at a senior level, ideally within a large engineering company or the City. You will have gained experience in the use of a variety of treasury instruments including commercial paper, medium term notes, forward rate agreements, interest-rate swaps and futures and options. You will also be an excellent communicator, highly self-motivated, and innovative with a mature, moderate approach

Please reply in strict confidence to Christoph Evans with details of age, career and salary progression, education and qualification quoting reference 5232/FT on both envelope and letter.

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FIXED INCOME SALES Major House requires Multi-currency Fixed lacome Sales people with a missi-must of 3 years experience and a Middle East client base. For further details

**EQUITY MARKET MAKER** 

U.K. CONVERTIBLE SALES OR TRADER

ECP TRADER

FX CORPORATE DEALER & NEG

Good experience required and lastitu-tional contacts would be an advantage. Quality house and a very good package. Please call Richard Ward.

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Your brief will include responsibility for identifying new investment opportunities, structuring and negotiating transactions and the monitoring of investee companies (often by taking board appointments).

We seek outstanding individuals, aged 28-35, with proven work experience relevant, directly or indirectly, to our activities.

Remuneration is entirely negotiable reflecting the level of appointment made and the substantial benefits package includes a car, generous annual bonus scheme and coinvestment plan. In the first instance please call, in confidence, our selection consultants, DAVID CHORLEY ASSOCIATES on 01-831 4447 or write to them enclosing your C.V. and quoting ref DC/1541, at David Chorley Associates, Hanover House, 73-74 High Holborn, London, WC1V 6LS. (Fax 01-430 1435)

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TREASURY

SENIOR MONEY MARKETS

DEALER

£30,000+

Exciting opportunity for a senior dealer to run the money

market desk and to take responsibility for expending the

off-balance sheet activities of this European Bank. You

should be around 30 with several years' experience of dealing in US\$, the major European currencies, FPAs and futures. Obviously this position requires a high degree of

ative and some experience of supervising staff would

Anderson, Squires enjoys a reputation for successful recruitment in the financial markets. Below are a number of current assignments — for more information on these please contact the relevant Consultant. Alternatively, if you would like to find out about further positions, please contact one of the Consultants for a more general discussion.

# MARKETING

CAPITAL MARKETS **SPECIALISTS** £30-£50,000 Negotiable

This leading investment bank has targeted a number of areas for expension, and is seeking to augment existing teams marketing by product/region. If you are an expenenced mandate-winner with in-depth knowledge of one or more of the following: swaps, commercial paper derivative products or treasury-based financial engineering, this established player offers a range of possibilities.

Contact: Joselyn Bolton

### SPECIALIST FINANCE

We are currently recruiting on behalf of a number of major US and Japanese institutions which are increasing capability in the areas of sircraft, property and project finance. We seek individuals who can combine alrong credit skills with account management experience in their chosen sector. Aged 25-35 you will be best suited to an environment which places considerable emphasis on initiative and entrepreneurial flair.

Contact: Loretta Guigley

### **FX DEALER** c.£28,000 plus bonus

An experienced FX dealer in their mid to late 20s is required to join this small but active dealing room. Reporting to the Chief dealer you will be responsible for running the bank's spot and forward currency books and arbitrage. In addition to having several years' experience of trading spot with an active bank you must be flexible and highly motivated. There is plenty of scope for broadening

your product knowledge. Contact: Susan Flatcher

### **SECURITIES ECONOMIST**

c.£22.500

An International Bank requires an Economist with approximately 3 years' experience in the financial services environment. The successful candidate should possess a good Economics degree and be in his/her mid to late 20s. The position carries an attractive benefits package coupled with excellent prospects.

Contact: Wendy Fenn

### JAPANESE SALES c.£50,000 plus substantial bonus

An expanding European Investment house is seeking sales people conversant in either French or German, preferably both, to join a successful team selling Japanese

equities to Europe. Ideally the candidates will be in their mid twenties, early thirties and have a good client base. Contact: David Puddick

### **OPERATIONS E.D.P. AUDITOR**

The audit team of a major international Bank is looking for an E.D.P. specialist. Primarily U.K. based, but involving occasional overseas travel, the role encompasses day-to-day administration, development and ad hoc consultancy. A minimum of two years' E.D.P. audit experience — gained with a bank — is essential; familiarity with banking products and both maintrame and PC experience would be advantageous. Contact: Jenny Rodrigues

### BUSINESS ANALYST c.£20,000

The administration department of a major player in the investment Management field is recruiting a Business Systems Analyst. This position will provide the focal point for user requirements and analysis and identification of systems. Candidates will be of graduate calibre and highly numerate. Significant formal analysis experience and a aound knowledge of investments is expected. Contact: Sarah-Jane Wittridge

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BANKING TREASURY SECURITIES OPERATIONS

### Director of Public Affairs ipswich **c. £65.000**

Fisons is a highly profitable international group with an outstanding growth record in the eighties and aggressive plans for future development, both organically and by acquisition.

This is an exceptional opportunity for a manager with high intellect and energy to take charge of the Public Affairs function which is primarily responsible for the development and implementation of Group policies and programmes covering all aspects of communications.

Key tasks are the direct management of external relationships, corporate advertising promotional campaigns, and setting Group standards for Company literature and employee communications. The role involves providing strong functional leadership within the Company, as well as managing relationships with external audiences, such as the general public, shareholders, Government, the City and the Press.

The Company attaches great Importance to this function and the Director will work closely with the Chairman and Chief Executive and other Directors. Candidates should be graduates or equivalent, capable of relating to and understanding the Group's science-based businesses and products. Public affairs experience at PLC level would be an advantage, but candidates could also have backgrounds in marketing, consultancy or the City.

The position forms part of a small, high calibre head office team and commands a top class remuneration package, including executive bonus, profit share, share options and quality car.

interested applicants should write, enclosing cv. to George Battersby, Director of Personnel, Fisons pic, Fison House, Princes Street,

loswich. Suffolk 1Pt 1QH.

# Ionathan Wren Executive

### SENIOR AUDITOR MIDDLE EAST FINANCIAL INSTITUTION \$70,000 (tax free)

Our client is a leading investment institution in the Middle East who seeks a wellqualified Senior Auditor. The position is based in the Gulf. The successful candidate will report to the Chief Internal Auditor and will assist him in developing and managing an audit department for the entire organisation. The job will encompass the enhancement of audit procedures and systems: preparation of work programmes: training of staff: and systems development.

Candidates should have CA or CPA qualification or equivalent and five to ten years post qualification experience, preferably with a financial institution engaged in portfolio investment activities. Candidates should be familiar with EDP and computerised MIS systems as related to audit. Knowledge of the Middle East is

The position offers an attractive compensation package, which will include a tax free salary, furnished housing, car, first-class package paid home leave, medical and

Interested applicants should forward a detailed curriculum vitae, or telephone direct, to Mr. Brian Jarvis, Senior Consultant. LONDON HONG KONG MIDDLE EAST SINGAPORE SYDNEY

No. 1 New Street, (off Bishopsgate), London EC2M 4TP

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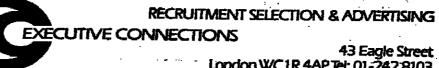
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This exceptional opportunity for an individual possessing outstanding characteristics arises with an integrated U.S. investment bank with global capability.

You will join an established team of highly talented professionals from various disciplines and will participate in the structuring and negotiation of deals related to mergers, acquisitions, divestments, bids and buy-outs. The client base reflects great diversity and ranges from aggressive private companies to household name multinationals, thus requiring of you an incisive intellect, a flexible response and sound commercial judgement. You should also be an assured communicator and have gained your training within a first division

The bank is a well established and leading City light with upwards of 5,000 employees in the U.K. Worldwide, it operates in 100 countries and administers assets of around \$200bn. Energy, innovation and service are the hallmarks of its continuing success.

If you would like to apply for this post, please ring Nicola Woolf (evenings/weekends 01-579 8905) or write briefly enclosing a CV and quoting ref. 5255.



43 Eagle Street London WC1R 4APTel: 01-2428103



### **MARKETING EXECUTIVE**

The Hungarian International Bank, an internationally recognised leader in the field of Trade Finance is currently seeking an experienced Marketing Executive to join its newly established Manchester

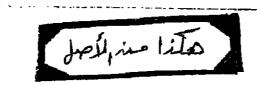
The successful applicant will be expected to develop by direct marketing to UK corporate clients all forms of traditional Export Credit and Trade related business, including Primary Forfaiting.

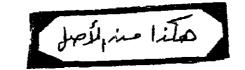
Preference will be given to those applicants who have a proven track record in international banking. credit insurance or export finance.

A negotiable salary will be supplemented by a full

Applications which must be in writing accompanied by a detailed curriculum vitae should be addressed

Peter N. Jamison Senior Manager Hungarian International Bank Ltd. Arkwright House Parsonage Gardens Manchester M3 2LE







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We invite applications from professional bankers, ideally of graduate calibre, who must have gained around 10 years' relevant banking experience successfully marketing banking products to major corporate clients in UK, Europe and US. Some capital markets exposure will be useful as cross-marketing is a feature. The successful candidate, who will be a key senior member of a closely-knit team, will be responsible primarily for new business marketing as well as further developing a portfolio of existing clients. Products and services being marketed include loans, acquisitions, management buyouts, general broking, commercial banking and FX. Significant travel to clients should be expected. Essential qualities include analytical and diplomatic negotiating skills in a team environment plus the ability to produce results in highly competitive markets. Ref: MC22248/FT.



## **ASSISTANT DIRECTOR MARKETING** UK MIDDLE MARKET SECTOR

£35.000-£40.000 BASE + BONUS + CAR + BANK BENEFITS

This same client also seeks applications from candidates with a similar depth of experience and qualities to the above, but from individuals who have directed their marketing efforts towards UK middle market corporates below the top 300 companies. The brief will be to promote and market all the bank's services to companies with a profitable track record and net worth/market capitalisation exceeding £10m. Specifically this will mean: identifying target companies and developing a phased and focused calling programme, meeting clients, negotiating terms of new business and preparing credit committee proposals. Ref:

For both these appointments we are particularly keen to hear from candidates in strict confidence by telephone on 01-628 0969 or alternatively in writing, quoting the appropriate reference number, when your reply will be forwarded unopened to our clean CNEA you list companies to which they should not be sent in a covering letter marked for the attention of the Security

3 LONDON WALL BUTLDINGS, LONDON WALL, LONDON ECZM SPJ. TELEPHONE: 81-588 3588 or 81-588 3576. TELEX: 887374. FAX: 01-256 8581.

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Our client is a major player in the global corporate finance arena. The mergers and acquisitions division offers a wide range of traditional merchant banking advisory services and is backed by the bank's substantial capital resources. They advise on bids and deals, flotations and appropriate forms of capital-raising. The team in London has experience of initiating and concluding transactions in the US and European markets and has an enviable reputation in the UK. Their continued success has led to a demand for individuals at all levels.

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Senior Executives based in the City reporting to the Group Chief Executive Officer to develop and extend the bank's business internationally. This new management team will assist the CEO in spearheading the new growth

# Director Investment Banking

£50,000 + with banking benefits

The responsibilities of this key position will be to develop and implement the group's strategy for investments in a selected range of equities and money market instruments. Considerable input into the preparation of strategy is required in addition to a continuing monitoring of the banks' positions and exposures and the identifica-

tion of investment opportunities world-wide. Particular emphasis will be placed on the development of investment banking products and a private client base to whom such instruments can be sold. Candidates should have at least 5 years in a senior treasury role in a major financial institution with a demonstrable record of success.

# Assistant Director Risk Management

c £35,000 to £40,000 with banking benefits

This challenging position takes responsibility for all credit issues on a global basis. This includes the review of all credit requests and the development, implementation and continuous monitoring of all credit processing and analysis procedures and standards world-wide. Preferably educated to degree/MBA level, candidates

should have 5 years experience in syndicated lending. the execution of effective security for international trade finance and lending secured on property and stocks and shares. Practical knowledge of drafting and reviewing documentation in liaison with legal advisors will be

# **Director Financial Institutions**

c £40,000 to £50,000 with banking benefits

The overall responsibility of this senior role is to manage the banks' external relationships, specifically with correspondent banks in order to increase and diversify the financial resources available to the group. Equally important will be the development of a strategy designed to achieve maximum benefit from liability

management. This is a key marketing role and candidates should be highly experienced executives who have developed, over the course of their career, substantial international banking contacts world-wide. A preparedness to travel and to vigorously develop new contacts are pre-requisite.

Attractive benefits package includes car, pension, health.insurance and life cover

Interested candidates should write to Christopher Bainton enclosing their CV and quoting reference MCS/2037 at:

**Executive Selection Division** Price Waterhouse **Management Consultants** 

Price Waterhouse

No. 1 London Bridge

London SE1 9QL



### **FUTURES/FX DEALERS**

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FUTURES MARKETING OFFICER Leading UK Bank currently requires an officer to generate the Banks existing client base as well as developing new potential institutional users to the market. The company is already a leading player and have a large trading support team and

A major European Bank is seeking a Senior Futures Broker to head up its Options & Futures Desk to trade Chicago, LIFFE and MATIF.

LIFFE FLOOR MANAGER Applicants should preferably be aged 25+ and have been a qualified trader for at least 3 years. The successful applicant will be predominantly trading and will be responsible for the expansion and development of the floor team. A substantial bonus and commission package is on offer.

SWAPS DEALER

E50,000 - £60,000

Investment Bank requires Sterling SWAP specialist with good capital market background to expand highly successful team.

FX MARKETING OFFICER An opportunity exists with a large American Bank for a Senior Marketing Officer at VP level. The successful applicant must be well versed with Off Balance sheet products to head up or be the No. 2 on the desk.

Opportunities exist at a number of levels in European and Foreign International Banks. Appropriate applicants must have a minimum of 2 yrs experience and a proven track record.

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For a confidential and informal discussion on the above and other positions please contact **Toby Thompson** Bertram Group Banking 12-14 Devonshire Row London EC2M 4RH

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professional appearance. Good communication skills and a gift for eaching are also essential in these front line training and customer support roles. You would be joining our team on an

initial one year contract but, for those who demonstrate the right aptitude, we can offer the real prospect of an established The attractive salary, is matched by an equally generous benefits package which includes six weeks' holiday and a

within the Reuter organisation as a whole are outstanding. Put your ambitions on the front lice. Please telephone 01-353 7329 (24 hour answering service) for an application form or write with full cv to Lorraine Jacob, Recruitment Executive, Reuters, 85 Fleet Street, London EC4P 4AJ...

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# Head of Investment Management

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Reporting to the Head of the Private Bank in London, this is one of the most visible and prestigious jobs in the Europe, Middle East and Africa Division. You will assume a key role as a member of the Divisional Asset Allocation Committee and manage a large staff of top-notch investment and support professionals. In addition, you will take responsibility for a range of product development and

The successful applicant will have a broad experience in international fund management, ideally for private clients, but possibly for institutional clients. People management skills, Imagination and proven creativity in product development will be highly prized attributes.

The position carries an attractive and competitive salary, with full banking benefits. Please send your CV - with full details of current salary and day-time telephone number - to Derek Froud, Private Banking Group, Citibank NA, 41 Berkeley Square, London W1X 6NA.

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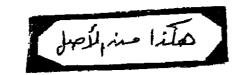
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INTERNATIONAL APPOINTMENTS

# THE NEW ZEALAND TREASURY

# ECONOMIC AND FINANCIAL ANALYSTS

### THE CHALLENGE

The Treasury provides independent advice to the Minister of Finance on the economic and financial implications of policies and proposals. Our brief covers both the economy and the community at large. We also have responsibility for the Government's budget process and associated accounting and reporting functions. Treasury plays a major advisory role in the development of economic policy, being closely involved in the reform of:
• The financial sector • Taxation • The structure of Government-owned business enterprises, including privatisation • Social policy and income distribution - Regulatory reform and trade liberalisation -Public sector management, including financial management · Resource management.

We have openings for highly competent economic, financial and tax analysts, with experience in corporate finance and advisory areas. Women and men with good honours degrees (especially in economics with accounting and law), a proven record of achievement in public policy, commercial, research or academic areas, and good communication skills, are now invited to apply for these positions. The appointees will be based in Wellington, New Zealand's administrative and financial capital.

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### APPLICATIONS

For further information contact John Whitehead, The New Zealand High Commission, New Zealand House, Haymarket, London SW1Y 4TQ. Telephone collect (01) 930-8422, or Derek Gill, New Zealand Embassy, 37 Observatory Circle, N.W. Washington DC 2008, USA. Telephone collect (202) 328-4800.

Further enquiries and applications should be directed to Heather Kizito, The Treasury, P.O. Box 3724, Wellington, New Zealand, telephone collect (0064) 4 722-733 ext 8227 or fax (0064) 4

Please enclose a curriculum vitae, two passport size photographs, and the names of two professional referees who can be approached initially.

All applications will be treated in strict confidence and no approach will be made to present employers without permission of the applicant. Applications should reach Treasury by 5 May

The Treasury has an Equal Employment Opportunity Policy.

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Merci d'adresser votre dossier complet à notre conseil Marie Praml-Lotte qui vous garantit la plus stricte confidentialité

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# GENERAL MANAGER FINANCE

# **New Zealand**

Our client Challenge Properties Limited, is a property development and investment company engaged in prime retail and commercial projects. It is wholly owned by Fletcher Challenge Limited, New Zealand's largest listed company, is trading profitably and has a sound professional and financial reputation.

<sup>3</sup>Challenge Properties has an excellent mix of local and overseas experience and pursues a philosophy of ensuring that its people keep up with the best overseas trends in property development, construction and management.

It is strengthening its management with experienced people from New Zealand and overseas and is now seeking applications for a General Manager Finance based in Auckland and reporting to the Managing Director. The General Manager Finance will join the company's Executive Committee and will be exposed to all facets of group operations.

The person will be expected to lead a finance, accounting and administration function which fully complements the group's business strategies. This will call for a high level of support to the Managing Director on financial issues, a key role in ensuring that funding requirements are met, and professionally representing the group in significant and complex negotiations.

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Applications with curriculum vitoe should be forwarded to the consultant advising Chailenge Properties:-

> Alasdair Hislop Spencer Stuart & Associates G.P.O. Box 3905 Sydney N.S.W. 2001

Applications will close on Friday, 12th May, 1989.

### FT LAW REPORTS

# No corporation tax for mining finance company

House of Lords (Lord Bridge of Harwich, Lord Brandon of Oak-brook, Lord Oliver of Aylmer-ton, Lord Jauncey of Tulli-chettle and Lord Lowry): April 13 1989

A COMPANY can off-set dou-ble taxation relief against corporation tax on its foreign income before off-setting advance corporation tax already paid on its UK distri-butions against the global foreign and UK liability.
The House of Lords so held

when dismissing an appeal by the Inland Revenue from a Court of Appeal decision (/1988) 1 FTLR 171) that the company, Mining & Industrial Holdings Ltd, was not liable to corpora-tion tax in respect of the accounting period ending June 30 1980.

Section 505 of the Income and Corporation Taxes Act 1970 provides: "The amount of credit for foreign tax . . . allowed against corporation tax . . . in respect of any income shall not exceed the corporation tax attributable to that income.

Section 100 (as unamended) of the Finance Act 1972 provides: "(3)For the purposes of section 505 of the Taxes Act . . . (6)Where . . . ad-vance corporation tax falls to be set against the company's liability to corporation tax (a) the company may . . . allocate that advance corporation tax . . . to the corporation tax attributable to such of its income . . . as it thinks fit; and (b)the amount of corporation tax attributable . . . shall be reduced by so much . . . as is allocated . . .; but the amount . . allocated . . . shall not exceed the advance corpo-

ration tax that would have been payable . . . in respect of a distribution . . . of an amount which, together with the advance corporation tax so payable in respect of it, is equal to that income."

LORD OLIVER said that the

company was a mining finance house. In the accounting period ending June 30 1980 it was liable to corporation tax on its profits at 52 per cent. its gross profit was made up of sources in respect which

there was no double-taxation relief, and from dividends from foreign companies which qualified for double taxation relief. By section 84(1) of the inance Act 1972 a company resident in the UK was liable to pay "advance corporation tax" when paying out divi-

During the relevant account-ing period the company paid out dividends totalling £2.29m, on which it paid advance cor-poration tax of £983,262.

Advance corporation tax could be set off to some extent against the company's liability to corporation tax. The question was as to the way in which that should be done.

The company contended that in calculating the amount for set-off, double taxation relief should first be deducted from the foreign income. The total outstanding corporation tax liability after crediting double taxation relief was £756,773. Against that could be set off the advance corporation tax already paid. The company's liability was thus reduced to

The Crown contended that double taxation relief had to be ascertained after crediting advance corporation tax. On that footing the maximum advance corporation tax to be credited against the non-doubly taxed income was £324,732, so that there remained an outanding unrelieved liability for corporation tax of £254,137. Section 497 of the Income

and Corporation Taxes Act 1970 gave effect to arrangements made with foreign governments for relief from double taxation. Subsection (2) provided that the foreign tax should be credited against UK

Section 501(1) provided that where credit was to be allowed against UK income tax, the amount of UK tax "so chargeable shall be reduced by the amount of credit."

A ceiling was imposed by section 505 on the amount of credit for foreign tax to be illowed against corporation tax in respect of any income. it was not to exceed the corporation tax attributable to that

Section 85 of the 1972 Act provided that advance corporation tax paid by a company should be set against its liability to corporation tax "on any income charged to corporation tax ... and shall accordingly discharge a corresponding amount of that liability."

By section 100(6) of the 1972 Act, a company could apparently vary the amount available for double taxation relief credit, by allocating advance corporation tax to any source of income it chose. But the effect of section

100(6)(b) was that such allocation could only reduce the tax-ation relief ceiling. acknowledged that he could think of no readily conceivable circumstances in which that would be to a taxpayer's

advantage.

That curious circumstance was the foundation of the Crown's argument.

The Crown's calculation was based on the contention that somewhere in the legislation was a provision that for ascertaining the section 505 ceiling for double taxation relief, any advance corporation tax paid by the company was attributed to income in respect of which double taxation relief was available pro rata in the pro-portion that that income bere

to the total income.

The Crown submitted first, that reading section 100 as a whole, one could discern a necessary implication of *pro rate* allocation and reduction, amounting in effect to express

Secondly it was said that subsection(6) assumed a position had been created in which the allocation of advance cor-poration tax had reduced the section 505 ceiling, and was intended to confer on the com-pany the option to improve that position by making a real-

It was said that the legislature by an oversight omitted to create the position, and the court must therefore construe the Act by reading in the words that it forgot to include. The logical or rational justi-

fication for that was said to be (a) that it was the only way in which any sensible purpose could be attributed to section 100(6); and (b) that if such an implication was not made, the result could be that by global application of advance corpora-tion tax credit against global income, after crediting double taxation relief to the maximum extent permissible, the company escaped corporation tax altogether on its non-doubly-taxed income.

The structure and language of the legislation led to the opposite conclusion. They pointed strongly to the conclusion that the deduction of dou-ble taxation relief was intended to precede the set-off

of advance corporation tax. Section 100(6) did not deal with how the set-off was to be made, but with ascertainment of the ceiling for purposes of section 505 of the 1970 Act.

It seemed plain from the vords of section 501 that what the double taxation relief was to be credited against was the company's potential liability to pay corporation tax amount "so chargeable shall be reduced."

In section 505 the "corporation tax attributable" to the foreign income obviously had to be ascertained before the double taxation relief deduc-tion. Section S5, dealing with set-off of advance corporation tax, clearly referred to a liability to pay which had been finally ascertained, and to global liability ("any income charged to corporation tax") which was to be "discharged" to a corresponding amount

to a corresponding amount. There was no context, apart from such implication as could be derived from section 100(6), for reading "corporation tax attributable to any income" as meaning anything different in section 100 from the same expression used in section 505 ie tax which would become chargeable before deductions or set-offs.

The result sought by the

Crown would involve the wholesale redrafting of subsec tion (6) so as to include "...(i) ... advance corpora-tion tax shall ... be allocated rateably . . . and amount . . . attributable to the relevant income . . . shall be reduced by so much as is aliocated . . .

That something had gone wrong with the drafting of the statute was clear, but the essential conditions for so radi-cal an implication did not exist. To make such an implication in a taxing statute for the purpose of imposing a tax which the legislature had not sought to enact in express terms must be almost, if not completely, unheard of.

There was no rationale or practical justification for the scheme for which the Crown so strenuously contended, beyond a desire to extract the maximum amount of tax.

The company had already borne 59 per cent tax on the income, since some of the foreign tax exceeded 60 per cent. The manipulation of available reliefs to impose an extra bur-den of 7 to 8 per cent seemed little short of preposterous.

in the absence of compelling statutory words, there was no logical or rational justification for imposing an additional bur-den simply because the company had made distributions on which it had paid tax in advance.

The appeal was dismissed. Their Lordships agreed.

Rachel Davies

Barrister

n an ideal world, the telephone system would allow people to contact each other whenever they wanted to. But in practice, phones are often extremely

frustrating.
You cannot get hold of people and they cannot get hold of you. On top of this, you have little control over who uses your phone, with the result that unsupervised children, employees and guests can land you with large bills.

These frustrations arise because today's telecommunications networks are dumb. They do not know who is making a call, whom they are trying to reach and who should be paying for the service. They therefore take the easy way out, connecting locations rather than people and charging the owner of the phone rather than whoever is making the call.

A clever phone network would not suffer from these defects. When people left one location for another - perhaps going home in the evening -the call could be diverted automatically to the new location. And, if the person you wanted to speak to was engaged, the system could alert you when he or she was free.

Quite apart from cutting out much of the tedium involved in making phone calls, such changes should give a tremendous fillip to economic efficiency. People could be issued with personal numbers, which would enable them to be tracked down wherever they

You could also decide who was allowed to make calls on your phone, so reducing the chances of unexpected bills. You might, for example, want to stop your Swedish au pair calling her boyfriend in Stockholm every night or your teenage kids from becoming addicted to Britain's controver-

Equally, people would be able to charge calls to different locations from the one which they were using to make the call. For example, somebody making a business call from a friend's home could charge his

office - provided, of course, he was authorised to do so. Telephone operators in the industrialised world are in the process of developing strategies for converting their present dumb networks into intelli-gent ones. Although all the eatures mentioned above and many more that come under the umbrella of intelligent networks - will probably not be available much before the year 2000, the eventual

# Into the era of the intelligent telephone

Hugo Dixon explains the benefits of linking telephone exchanges to a network of databases

switch-over could have a dramatic impact on the effectiveness of the telephone as a communications tool

The intelligent network, as a concept, relates to a particular way of constructing telecommunications systems. The principal characteristic that defines such a network is that the software or intelligence is placed in central computerised databases, rather than in tele-

phone exchanges. At present, when an operator wants to introduce a feature, software has to be written for each exchange in its network. This is not impossible, but it is time-consuming and costly. New software has to be able to work with the old software and

be tailored to each exchange. Alternatively, a special network has to be constructed to work side by side with the main network. This is the way freefone services are delivered. These offer one of the few intelligent network features already available in that they charge a call to the company person making it.

Typically, it takes four years introduce new features across a network and can cost tens of millions of pounds, says Bob Partridge, in charge of British Telecom's network planning. By contrast, centralising intelligence in a few data-bases would allow features to be introduced in a matter of months. It would also be much cheaper because only one batch of software would have to be written.

These databases would contain information about how calls should be routed, who should be charged for them and so on. One database might

list the authorisation codes of everybody who wanted to pay for calls using credit cards; another might specify people's personal numbers and the loca-tions to which calls should be

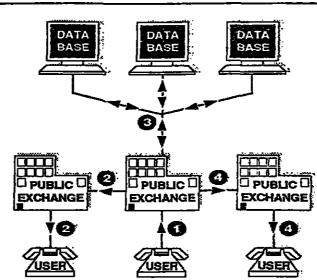
directed; yet another might detail which calls were out of bounds from which telephones. Because such information would be in a central place rather than scattered around the country, it would be easy to change. People would be able to reprogramme the data-base containing their personal numbers when they left one location, or alter the list of

out-of-bounds numbers. In an intelligent network, ordinary calls would continue to be processed by the exchanges in the same way as at present. However, if a call required special treatment, the exchange would consult the relevant database for advice before directing it to its destination. The exchanges would be able to identify which calls were special because they would have different codes. All freefone numbers in the UK, for example, start with 0800, which alerts the exchanges to

consult the freefone database.

However, before such a system could work effectively, two further changes would be necessary. A fast, high capacity signalling system needs to be introduced to enable the exchanges to communicate with the databases. (The present system is so slow that phone users would probably hang up before they were con-nected.) And open interfaces would be needed between the network's various elements so that computers made by one manufacturer could work with exchanges made by another.

The architecture of an intelligent network



1. User makes a call, which is connected to the nearest public exchange.

2. If no intelligent network feature is required, the exchange routes the call to

elligent network feature is required, the exchange consults one of a series of databases about what to do. Messages are passed between the exchange and the computerised database using a fast signalling system.

4. When the message is received from the database, the exchange routes the call to its final destination.

Telecommunications operators are excited about the prospect of intelligent networks. seeing them as powerful competitive tools which could boost revenues. This explains why operators in those countries where telecommunications liberalisation has proceeded most quickly - the US and Britain - are also those where the desire for intelligent

networks is greatest. Intelligent networks can help the operators respond to competitive threats from two directions. The first is from other mainstream operators, such as that which BT faces from Mercury Communications in the UK. The beauty of intelligent networks is that they would allow an operator to take advantage of a market opportunity or match a new eature provided by a competi-

tor in a few months.

The second threat is from private telecommunications networks. These have become increasingly popular among large companies with specialised communications needs which are not adequately catered for by the public net-works. They either construct their own in-house networks or

rely on third parties - such as IBM, the computer giant, or EDS, the General Motors subsidiary - to run networks on their behalf.

Intelligent public networks could help stop the drift of tele-communications traffic on to private networks, principally by offering customers "virtual private networks"

The idea is that virtual private networks will do everything that customers expect from actual private networks - such as diverting calls or using short dialling codes within a dispersed organisation - and more. Although companies will not have their own dedicated telephone lines, sophisticated software will give them the impression that they have. The attraction to users is that the operator takes the headache out of managing the network, says Kevin Morgan, of Sussex University, who is carrying out a study of intelli-

gent networks. A further advantage operators expect is that intelligent networks will give them a stronger negotiating position vis-a-vis equipment manufacturers. At present, each opera-tor is tied to a small number of exchange manufacturers. The reason is that it is extremely difficult to make exchanges from different manufacturers

work together smoothly.

Since the concept of intelligent networks involves open interfaces, operators could pick and choose between suppliers. The operators would also be able to bring in computer com-panies as suppliers, because the new features would involve constructing computerised databases, an area in which exchange manufacturers have not traditionally excelled. As such, intelligent networks are the first major manifestation of the much talked-about conver-gence between computers and

telecommunications. This prospect, in turn, is set-ting the stage for what could become a battle between computer companies - such as IBM, Digital and Tandem and the telecommunications suppliers - such as AT&T, Ericsson, Siemens and Alcatel. As BT's Partridge puts it: "No self-respecting exchange sup-plier is going to allow this to happen without a fight."

Telecommunications companies have two main options for dealing with this threat. The first is to build up expertise in computerised databases — a strategy being vigorously pursued by Britain's STC, which has been largely forced down this route because it is no longer a major player in the exchange market. The second is to try to keep as much of the intelligence in the exchanges and stop it migrating into cen-

This is the background to the manoeuvring now going on in the US and Europe over how the open interfaces for intelligent networks should be defined, as the precise techni-cal standards will affect the

competitive positions of the different players. In the US, negotiations about technical standards are being co-ordinated by Bellcore, the research organisation jointly owned by the Baby Bell operating companies which has nioneered the concept of intelligent networks. Discussions are also being held at ETSI, the new European telecommunications standards body, and at CCITT, the international telecommunications standards

While it is still too early to predict the outcome of these discussions, it is already clear that the move to intelligent networks will happen in a series of stages rather than a single giant leap. Even so, the total effect could add up to a

# A rare opening in Austria

By Della Bradshaw

n the UK it would have been a common enough event, the official opening of a final assembly computer plant. A minor royal or local MP would be the best "personality" most organisers could muster to cut the ribbon. But when Tandon, the US microcomputer manufacturer,

officially opened its factory in Vienna this month it was the Austrian Chancellor himself, Franz Vranitzky, who pressed tion line. He was attended by the combined corps of the Aus-

trian press and paperazzi.
Vranitzky lost no opportunity in making the point that
Austria wanted to be part of the European Community -saying that it would bring more advantages than disadvantages. And Austria has aiready begun to feel these dis-advantages, especially in high technology investment.

While member countries of the EC, particularly the UK, announce huge investments from Japanese and US technology companies in the run-up to the 1992 single European market — Austria rarely receives such investment. Hence the interest in Tandon, which now employs 100 staff in Vlenna, 40 of them on the

production line. Sirjang Lal Tandon, founder of the Tandon Corporation and known throughout the industry as "Jugi", made no bones about why he had chosen to locate in Austria (the UK had also been on the list of potential sites). As well as the Austrian Government paying for a two year lease on the 800 sq m plant, Austrian banks have funded the start-up - the Dresdner Bank and a Vienna banking consortium granting Tandon credit of DM 80m (£25m). (The total investment needed to equip the factory was about £32m.)

Tandon was eager to point out that the production facili-ties in the factory were designed by a team of Austrian production designers, Pipelka Technik GesmbH. Jugi Tandon also assured the Austrian Chancellor that local sourcing of components would begin as soon as possible.

Meanwhile, production on the two short assembly lines and final test run has been

under way since last July, and between 12,000 and 14,000 IBM-compatible PCs are now being assembled each month. Eventually Tandon hopes to have a third production line in operation, which will mean computers worth over \$700m (£414m) leaving the factory annually. They are shipped from the factory to Amsterdam, Tandon's European distribution centre, and from there to individual countries. Over 80 per cent of Tandon's total sales of computers are in Europe - the company did \$250m-worth of business in

Europe last year. The factory produces most of the company's wide range of IBM-compatible PCs, but prodncts cloning IBM's latest and most sophisticated system, the PS/2, will have to wait. "We will do the PS/2 when it becomes a necessity," says Jugi Tandon. "We really don't want to be confusing the market-place at the moment. But we'll join the winners when the time comes."

Tandon officials are coufident that Austria will become a member of the EC. Even if it does not, they do not think they will be handicapped in trade terms when selling their computers to member countries. And they dismiss the idea that Tandon had sited in Austria because of its access to

Bastern bloc countries.

With Austria precariously balanced on the edge of Europe, Vranitzky puts his fin-ger on why his country is hav-ing problems attracting high volume electronics manufacturing - spart from lacking the security of an EC state, it is not able to produce goods in the same way as the Far East. We cannot produce cheaply to sell cheaply in Austria," he says, arguing that staff com-mitment and skills are the country's selling points.

But for real computer skills Tandon is looking eisewhere. Besearch and development will remain in the US and will remain in the US and although Tundon is considering making its own main boards — the key element in PC production — they are unlikely to be made in Austria. Jugi Tandon says they will probably be put together in either the Far East or Bombay.

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### **TELEVISION**

# Shared triumphs and traumas

In the US newspaper columns of this sort are devoted as often as not to analysis of the ratings rather than to the content of programmes because, in that country, programmes live and die by the ratings. Even though American series are mar-ket-researched in astonishing detail before being launched (sweat meters are sometimes strapped to the hands of the researchers' trial audiences) it is not unusual for a series, which may have cost millions, to be "pulled" after only one or two episodes if it fails to perform promptly as hoped in the Niel-

Thanks to the public service tradition of broadcasting in Britain, started by the BBC but adopted also by our commercial companies, the feeling here has always been that we are less concerned with crude head counting, and more concerned with quality for its own sake. Yet there is, of course, much to be learned from ratings and, as Mrs Thatcher steadily rewrites the broadcasting rules to restrict what we can see while boosting revenues, it seems inevitable that the ratings will begin to be as significant in the UK as in the US. It is far from mere chance that "The Week's Viewing In Summary" issued by the Broadcasters' Audience Research Board Ltd (BARB), the ratings company formed jointly by the BBC and ITV, has, since the beginning of 1989, contained more information than hitherto. It still shows how many hours a week we watch (27 on average); and how the audience splits between the BBC and commercial television (close to 50/50). It also reveals that C4's new breakfast service is attracting about 400,060 viewers and that even Welsh speakers do not bother much with programmes in

But now, instead of the "Top Tens" which we used to get for each channel, we have "Top Thirties" and that reveals a lot more about what is really going on. One of the most fascinating comparisons, for instance, is between BBC2 which celebrates its 25th birthday tomorrow, and C4 which is a little over seven years old. In Britain and abroad C4 is credited with being a channel which, while it may not command huge ratings, has proved that minority programming can work; that you can fulfil the demand to "he different" and still attract a perfectly reasonable audience. It operates, thoreover, in the private sector, however unusual its commercial

The ratings, however, tell an interesting story. According to BARB, C4's average weekly audience share this year has been 8.8 per cent. Last week it took 10 per cent for the second week running, its highest figure for 1989. But what did it win this audience with? Its Top Ten consisted of two episodes of the soap opera Brookside, three game shows (Treasure Hunt and two episodes of Fifteen To One) four American come-dies (The Cashy Show, Roseame, Kate And Allie, and Cheers) and one American police series (Hill Street Bines).

So where were all those programmes for specialist tastes and minority groups; further down the Top 30, per-



Mrs Thatcher at the scene of Saturday's disaster at Hillsborough, where sports commentator Desmond Lynam and millions of viewers became instantaneous evewitnesses to tragedy

haps? Well, at No.22 was the environhaps? Well, at No.22 was the environment series Fragile Earth, but that was the only programme of its sort to appear. The other 29 were all light entertainment of one kind or another: soaps, movies, game shows, and so on.

BBC2 wins part of its audience (average weekly share this year 9.6 per cent) with similar programmes. At No.1 it has the American comedy repeat MASH, and further down are Moon-

MASH and further down are Moonlighting, and Bilko. But spread evenly through BBC2's list from No.3 to No.30 you also find precisely the sort of specialist and minority interest programmes which are supposed to be C4's metier. 40 Minutes, Gardeners' World, mener: As Mannies, Gardeness word,
Top Gear, Timewatch, Horizon, Nature,
Tuking Liberties, When in Italy, The
Money Programme, and Triumph Of
The West. The kudos for running a successful specialist interest channel
seems to be going almost entirely to the

Perhaps that is only fair, however, because for several years the BBC won all the credit for supposedly producing Britain's "most successful" programme, EnstEnders. In fact it never did manage EnstEnders. In fact it never did manage to beat ITV's long-running Coronation Street when tested in a fair fight, but contrived to fill the top ratings slot by running a repeat each week and aggregating the figures. Now that ITV have finally responded by using the same trick, Coronation Street has returned to the lower recognized. No 1 spot. its long accustomed No.1 spot.

Drama of one sort or another is currently proving an outstanding ratings success. Last week's ITV Top 10 contained almost nothing else: Coronatio Street twice, The Heroes twice, The Bill twice, Tanamera, Capstick's Law, Emmerdale Farm, and just one game show. Busmen's Holiday. The top seven places on BB1's list were filled by five episodes of the Australian soap opera

sort of spell over all schoolgirls) and two episodes of EastEnders. If you construct a national Top 10 (which BARB does not any more) leaving aside the aggregation trick this is the result:

Neighbours (which seems to cast some

1. Coronation Street (Wed), ITV, 17.96m 2. Coronation Street (Mon), ITV, 17.23m 3. EastEnders (Tues), BBC1, 15.52m The Heroes (Tues), ITV, 14.73m . The Good Life (repeat), BBC1, 14.73m Tunamera, ITV, 14.48m EastEnders (Thurs), BBC1, 14.28m 8. The Heroes (Mon), ITV. 14.07m 9. The Bill (Thurs), ITV, 12.27m

10. A Question Of Sport, BBC1, 12.25m Eight episodes of drama, one old situation comedy, and one quiz. Programmes that we know can slightly weaken this drama domination, though not destroy it, include This Is Your Life, which is currently off the air, and That's Life! which returned on Sunday and will almost certainly go straight

BARB's regional Top Tens reveal an

interesting fact about soap operas: their popularity is closely connected to regional identity. The only area where EastEnders actually tops the list is London itself, and it does so with a 35 per cent share of the available audience.

Coronation Street is made in the north west, where it wins 58 per cent of the available audience and tops their list. But out in the corners of Britain - Scotland, East Anglia, and the southeast - the favourite programme is Neighbours.

Though the Hillsborough tragedy happened on Saturday afternoon, and many viewers will have spent that evening zapping about, trying to find every latest scrap of news, it was on Sunday evening that the event struck home hardest. Next week's BARB figures will show how many millions saw the news that night and watched as 5,000 Liverpudlians massed outside their cathedral while the packed congregation within sang "Abide With Me." That and the scarves of the fans being tied to the Anfield gates below the wrought-iron legend "You'll Never Walk Alone" must surely have brought tears to the eyes of

the stoniest-hearted cynic.

Among the oddest phenomena wrought by television is the way that the whole population now shares, virtually instantaneously, in large yet local tragedies. One of the effects is that people such as Desmond Lynam find them-selves, willy nilly, fulfilling for the nation the functions previously served by the clergy: interpreting, consoling, sympathising. Lynam's handling of the BBC output late on Saturday afternoor was pretty impressive.

At Hillsborough there were fewer horrific pictures than at Heysel or Bradford (though the most pitiful shot of panic-filled faces behind the wire mesh was, of course, shown again and again) and although those fatuous and enraging "How do you feel?" questions were not entirely absent, there were fewer this time.

Television becomes ever more adept

at feeding the tragedies of the world into our sitting rooms, in a manner both vivid and affecting which no previ-ous generation has had to deal with. Even a vast international tragedy such as the carnage of World War I was experienced by most of the population at second hand, with news trickling back slowly.

Each and every one of us is now an eye witness to each and every harrowing event, thanks to television, with the sights and sounds of Hillsborough being piled upon those of recent air, train and ship disasters. However expensive and ultimately pointless John Kennedy's space programme may have been (and who knows, one day it may prove to be our salvation) perhaps we need some-thing like that, brought into our sitting rooms by television, so that we can share in the occasional triumph of mankind with the same sort of vividness as we share the ever growing list of disas-

Christopher Dunkley

# Aspects of Love

"Love changes everything" is George's lover. In a great dra-the main song and current hit matic innovation, the squeezed the main song and current nit of the latest Andrew Lloyd Webber musical, which opened on Monday night amidst the usual broubaha of celebrities, popping corks, black ties and stiff dickies. To be a critic in such enervating circumstances is salutary. The temptation must always be to confirm those tales of woe and boredom from the previews, to show your intellectual superiority by putting the boot in.

In fact, Aspects of Love is a remarkably daring piece of work that captures with some wit and fidelity the sybaritic insouciance of David Garnett's 1955 novella and, in Trevor Nunn's very fine production, is a rare example of theatrical intimacy succeeding in largescale circumstances. Carnett's fiction charts a

series of shifting amours between a star-struck soldier. Alexis; the actress Rose Vibert, who is seen first as Ibsen's Hilde Wangel, second as Turgenev's Natalya Petrovna, two types of ball-breaker, Alexis's uncle, Sir George Dillingham; and an Italian socialite, Giu-lietta Trapani. The book (uncredited) of the musical makes George a painter and Giulietta, originally a Marquesa, a sculptress, whose oeuvre conforms to a popular idea of the avant-garde in echoing Allen Jones (submissive ladies frozen in hardware, sofa lips) and Paolozzi.

Alexis is only 17 when love changes everything. At the end, he is ensnared by his lover's daughter, Jenny, her-self a teenager. He makes a tryst at George's funeral with

victim becomes Rose herself. and Lloyd Webber provides a swelling operatic valedictory that Ann Crumb discharges with passion and panache. The funeral wake itself is a cross-rhythmed tango, brilliantly choreographed by Gillian Lynne, where George's will of explosive joy is positively enacted

Lloyd Webber has responded to the idea of impossible love made suddenly real. There are age gaps, there are prior com-mitments. The Bloomsberryness of Garnett comes out here, and the show has an air of instant, charming promiscuity. It is imbued with a sense of the French landscape around the Pyrenees and in the wine district. The music reflects this, so does the design of Maria Björnson which reveals the mountain peaks through a series of slatted doors and a magically versatile grey brick

There is a lovely chanson that recurs, symmetrically, just as mother and daughter inspire rhapsodic spasms in George by wearing the same silver lame dress. Even difficult, private things in Carnett, like the ghostly slipper and siren song, are not ducked. The latter incident yields a beautiful duet, "Mermaid Song", that is woven into the several other main musical themes of the evening.

The music strikes me as experimental, using through-composition conversational techniques that both invoke Menotti and suggest a new

act has great stretches of lyric beauty followed by wittily banal foxtrot passages and then the tango. The lyrics of Don Black and Charles Hart are serviceable, occasionally aspiring to buried internal rhyme but settling for the simple and the obvious, neat and clean.

You will have read that Roger Moore left the cast, to be replaced by someone who can really sing, Kevin Colson. Colson's performance as George is one of great finesse and expertise, from the minute he inter-feres in the Merimee rehearsal to his final demise. Even greater changes are registered by Michael Ball as Alexis, whose tenor baritone voice of wide range is matched by acting ability and real star pres-

If Ann Crumb impresses as the Stephane Audran of the provincial French stage, which she does, then the comparable discovery is Kathleen Rowe McAllen as the Italian femme fatale, a stunning beauty with voice to match. Miss McAllen starts as an extra and becomes pivotal to these shifting alliances, and the encapsulating hit song, in context shot through with melancholic wisdom, her epitaph.
In an awkward theatre, the

musical direction by Michael Reed and the sound reproduc-tion by Martin Levan is of the highest quality. You will want to see this show not because of its showbiz hype, but because there are new creative forces at work here which may yet define the lyric theatre of the

Michael Coveney

# Simpson's Quintet

Monday's BBC lunchtime concert at St John's Smith Square (as always, relayed direct on Radio 3) brought a first performance - Robert Simpson's String Quintet, spe-cially commissioned for the series. Simpson has already produced what is surely the most substantial body of chamber music of any composer in recent times; this work, a single-movement structure of just over half an hour's length, is a splendid addition.

As in all of this composer's mature works, the experience is made vigorously involving by the force and naturalness of the symphonic argument that underpins it. Here, this is conceived as a battle of wits between two kinds of music, quietly pensive and energetically forward-moving. The

first, dominant at the outset, inhabits the calm, concordant mode familiar from slow late Beethoven and Shostakovich; it is gradually invaded by the second, spinning along in dancing Tippettian triplets. Each side shores

strengths while working its way toward a central confrontation, in sequences and whole paragraphs of immense authority, directness, and simple rightness of expression - not a note seems wasted, not a subordinate detail haphazardly placed. The final part of the Quintet is occupied with the business of reconciliation and conclusion; even during a first listening the mastery of Simp-son's technique enables the listener to recognize the ways in which the harmonic and motivic processes announced at the

very outset find here their logical culmination. Simpson writes "conserva-

tive" music. It is never because of any urgently-sought newused that his works prove so compelling: the sense that he builds on, refers to, the great masters of symphonic tradition only adds to the power and real originality of the experience. In the best way, the new Quintet is intelligible music; it is also real chamber music. with all the conversational intimacy and balance between sound and meaning thus implied. The première was given by the Coull Quartet and the violist Roger Bigley - a fine, expertly prepared reading.

Max Loppert

# La Tragedie de Carmen

The prime excitement of La Opera Ensemble, conducted by Tragedie de Carmen is the Philippe Nahon) is tucked into space in which it is performed. Peter Brook originally con-ceived this production for the Théatre des Bouffes du Nord in Paris, where it was at once a sensation. (It has since been televised.) Now it's to be seen, until April 30, on a sandy floor in Glasgow, against the hand-some redbrick walls of the Old

Transport Museum.
The audience is seated on three sides of the front of the performing area. The staging is intimate and absorbing for all into which Brook has reduced Bizet's opera. A few props - a rug, three camp-fires, some chairs - come and go. The small orchestra (the newlychristened Scottish Chamber

half visible. Just seven singers. The women's fight from Act 1 is performed by Carmen and Micaela No crowds. No Fras-quita or Mercedes, no smug-

The economy of the main action is striking. That fight is short and to the point. Later, Carmen quietly breaks a plate and uses the shards as her castanets. The big Carmen-José confrontations are given with entire restraint. And the singers bring it off. On Sunday night, I admired in particular the Carmen of Cynthia Clarey and the Don José of James Hoback, singers who in this small auditorium gave their music colour, detail and vig-

our, and who kept the action always lively. Very enjoyable the passage when, after flirting with Zuniga, Clarey finds that she is nonetheless his captive: she sinks her teeth angrily into his wrist - and then quells his objections with a long, smoul-dering glance. Hoback, sinking to his knees for the Flower Song, made clear in musical terms how stretched to breaking point José is here by his own ardour. Véronique Diet-schy's Micaela and John Rath's Escamillo were, however, too demurely sung, and Rath goes badly flat at the top of the bull-

That the Bizet text has been extensively edited is scarcely offensive in an era where Carmen has been rearranged and reordered in sundry different ways, not least for all those inch-deep ballet versions. Still, a pity that some of the scoring is so palm-court. And let no one buy Brook's claim that his version pares down Carmen to bare essentials. Any director who fails to follow Jose's Flower Song with Carmen's astounding reproof, "Non tu ne m'aimes pas," is looking a gift horse in the mouth.

In this staging, immediacy is all – but not drama. At one point, Lillas Pastia, having broken into Pastial /#11 ken into English ("At your service, even on Sunday night") grabs a woman from the front row of the audience and carries her off to the offstage area where Carmen has just been obliging Zuniga. La Tragedie de Carmen emphasises the heroine's gypsy awareness of

impending death in pictorial terms (she traces symbolic dust-ring as a trap around her-self), and gives us no less than four different versions of the card song in which she declares that resignation to fate. But most appearances of Bizet's brief orchestral fate scene, which sometimes links destiny's power over José to the heroine's, are omitted. And most of Carmen's varied demands for "La Liberté" are missing, too. Without these ingredients, the Carmen story becomes too facile. Brook hasn't boiled Carmen down to raw essence - he's taken a disc of its obvious highlights and pumped it up into a hot-air

# Gürzenich-Orchester, Köln

There may be some confusion here. The orchestra that was advertised to appear in the Barbican's "Great Orchestras of the World" series was the Cologne Philharmonic and yet the players that were generally expected were the respected Gürzenich Orchestra, founded in 1821. If the old name has been changed, the programme did not say so, but actually added to the confusion - and somewhat raised expectations by announcing both.
 Only one orchestra mounted

the platform, however, and at that point any indecision as to aw essence — he's taken a large point any indecision as to sisc of its obvious highlights alloon.

Alastair Macaulay

Inat point any indecision as to their identity ceased. With the cellos centrally placed and double basses ranged along the right-hand wall, the sound was full and solid in a way that

Speed of Darkness (Goodman). The world premiere of Steve Tes-

ich's domestic drama involves the reunion of Vletnam veterans

successful South Dakota family. Robert Falls directs. Ends May 20 (443 3800).

Ryvo (The Dragon King) Shim-bashi Embujoh Theatre (541 2211). Vulgar but highly enjoy-able production (in Japanese and Chinese) in which plot, about a Chinese boy and a Japa-nese fisherman who join forces to defeat the dragon king, is less typoctate then accordatics and

important than acrobatics and

speciacie. King Lear. Tokyo Globe Theatre (360 1151). Tadashi Suzuki's bril-liant avant garde production

was originally presented in the US. ends April 23.

Us, ends April 25.
Marcel Marceau. The great
French mime artist presents a
programme which includes a
piece called The Swords of the

Samurai. Kan'i Hoken Hall, Gotanda (Wed, Thurs) (725 8888).

My Fair Lady. Koseininkin Kai-kan, Shinjuku (407 8155). Touring

production (in English) of the classic musical, with James Har-

rison following in father's foot-steps as Professor Higgins.

and the havoc it wreaks on a

Tokyo

Teutonic orchestra, whatever it may be called, and nothing that the players did during the evening would have been likely to convince the listener otherwise. The conductor was Marek

cannot be mistaken. This was a

Janowski, who has been in charge at Cologne since the opening in 1986 of the new hall, the Kölner Philharmonie. In the works by Beethoven which framed the programme he produced suitably tough performances. Not much subtlety in the Overture to Egmont, but he did secure an underlying strength that broke out into climaxes of aggressive, almost angry attack.

Whether the same kind of music-making is ever likely to prove successful in the Pastoral Symphony is open to question, but it is difficult to say that it did so here. Orchestra and conductor rose to their best in the stamping vigour of the trio to the peasants' dance, but both outer movements and the "Scene at the Brook" lacked expressivity and half-

In Schumann's Piano Concerto Janowski and his soloist, John Lill, made hard work of a piece that should speak with an easy, early Romantic freshness. The Beethovenian manner persisted here and Lill duly played in a style that was severe and clearly-articulated at the expense of poetry or sen-sibility. Not a great evening, even if the visitors from Cologne are classed as a "Great

Richard Fairman

# THE PRIVATISATION **EXPERIENCE**

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A major one-day conference of vital interest to all those involved with strategic planning and policy-making for privatised enterprises.

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Applications forms and further details from: Pam Ogden, Manchester Business School, Booth Street West, Manchester M15 6PB. TEL:061 275 6333 EXT.6396

### **ARTS GUIDE**

London

Fuente Ovejuna (Cottesloe).
Wonderful production of Lope
de Vega classic by Cheek By Joud
director and designer Declan
Donnellan and Nick Ormerod.
Mens 2 & Cone 0620. May 3-6 (928 2252).

Bed (Cottesioe). Imaginative reverie for old codgers in pyjamas and a sleeping den as big as the Great Bed of Ware itself. April 14-19, April 26-May 3 (928 2252). Hamlet (Ollyler). This picturramer (Onver). This picture eque Remaissance revival by Richard Eyre for the National Theatre is a disappointment, though Daniel Day-Lewis may improve with experience in the role. May 28, 16-18, May 25-June 1 (2022 252). 1 (928 2252).

Single Spies (Queen's). The high-light of Alan Bennett's double hill is a comic confrontation between Prunella Scales as Her Majesty the Queen and Bennett himself as Anthony Blunt in the noyal picture gallery. (734 1166).

A Walk in the Woods (Comedy).

Alec Guinness and Edward

Herrmann in feeble off-duty arms
negotiation encounter by Lee

Blessing. Guinness, back on the London stage after 10 years, is in subtle virtuoso form as the Soviet veteran of tactical stone-walting and no-dealing tricks (330 2578, ec 839 1438). Brigadoon (Victoria Palace). 1947 Lerner and Loewe "heather-scented" Scottish fairytale hit is handsomely revived and well sung, less frail than expected

(834 1317, cc 836 2428). The Vortex (Garrick). Maria Ait-

ken and Rupert Everett in bril-liant reappraisal by Philip Prowse of Noel Coward's 1924

# study of drug addiction and mother fixation. (379 6107, cc 741 9999). Mrs Klein (Apollo). Intriguing

chat among the child psychoanalysts in Nicholas Wright's hit transfer from the National. Fizzing performances from Gillian Barge, Francesca Annis, Zoë Wanamaker (437 2663, cc 379

4414).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's intimate new musical, adapted from a novel by David Garnett, opens with mixed reports from the previews. Trevor Nunn directs, Michael Ball stars opports Kenin Colean, who has site Kevin Colson, who has replaced Roger Moore (839 5972). King Lear (Old Vic). Eric Porter in titanic and lyrical form in Jon-athan Miller's production. (928 7616, ec 261 1821). Ivanov (Strand). Alan Bates and reanov (Strand). Alan bases and Felicity Kendal lead a new ad boc classical company in Chek-hov's first play, translated by Ronald Harwood, directed by Elijah Moshinsky. (836 1660).

### The Hague

Circus Theatre. A Night at the Cotton Club, a musical about the famed night-spot with Made-line Bell and Ruth Jacott. Directed by Barry Stevens and staged and choreographed by Billy wilson. (Fri, Sat). (55 88

### Rotterdam

Evita the original Broadway pro-duction with Florence Lacey. Tue, Wed (two perfs). Doelen New York

Heidi Chronicles (Plymouth).

### Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's pres-idential aspirations to electoral ambitions in the 1990s, accompanied by the musical and emotional flavour of the period (239

Jerome Robhins' Broadway (Imperial). Anyone attracted by the notion of a three hours of film trailer previews will adore this compendium of Robbins directed and choreographed plays of the past 40 years, including On the Town, West Side Story and Gypsy. The lustre of the credits is dimmed by the brevity of each piece. Rumours (Broadhurst). Neil Simon's latest comedy is a self-

conscious farce, with numerous slamming doors and lots of mug-ging but hollow humour which hits as often as it misses in an inevitable but disappointing hit. Cats (Winter Garden). Still a sali-out. Trevor Nunn's produc-tion of T.S. Eliot's children's poetry set to music is visually startling and choreographically feling (200 5050).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (220 8200). (239 6200).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunt-ing melodies in this mega-transfer from London (239 6200).

Washington Sophisticated Ledies (Kennedy

### April 14-20

### **SALEROOM** Center Opera House). The first Soviet-American co-production of a Broadway musical features Hermaphrodite surprise an energetic cast dancing and singing to a Duke Ellington score highlighted by Satin Doll and Take the A Train. Ends May 27

the market for years made the impressive price of £264,000 at Christie's yesterday. The sale-room convinced itself, and presumably the buyer, that the £539,000 while another contithe adoration of the Magi, was the work of Niclaus Weckmann the Elder, one of the greatest sculptors of Ulm in the years

253,000 white adorate Content of the mental buyer paid a record price for a work by Pietro Longhi of £269,500, for "The fruit seller", painted in 1752. As usual still lifes were in demand and and one of a content with home around 1500.

But the big sensation was the £52,800 paid by the London dealer Danny Katz for a 17th century Florentine bronze of a sleeping hermaphrodite. It had been catalogued "perhaps from the workshop of Gianfrancesco Susini," and estimated at up to £1,800. Mr Katz, and other dealers, obviously had no doubts. and it was bid on up. On Satur-

ture and works of art did well. totalling £791,164 with 17 per cent unsold. The National Museum of Scotland acquired a South German limewood bust of the Virgin, early 16th century, from the workshop of Army" for £49,500, as against a Hans Thoman, which it had top estimate of £7,000. recently had on loan, for £39,600.

One of the finest, and largest, auction of Old Masters which pleces of late Gothic German totalled £1,813,350 with only 6 wood sculpture to appear on per cent unsold. Its attractive and one of a roemer, with ham and a flagon by Willem Claesz

Heda sold for £176,000. Back at Christie's Old Master drawings were also a very strong market, the morning session bringing in £640,354 with just one per cent unsold. The London dealer Hazlett Gooden Fox was a keen buyer of the Turkish watercolours of the 16th century Florentine day in Paris "Paris carrying off Helen" by the same artist sold for £2.1m, a record price for a Renaissance bronze.

The sale of European sculp—the same artist Jacopo Ligozzi, paying £77,000, (as against a £20,000 top estimate), for a portrait of a Janissary holding a gun, with a lion; £66,000 for an Ottoman soldier, and £28,600 for a

Greek woman with a goat. Another London dealer, Baskett & Day, secured a pen and ink by Etienne Delaune of "The destruction of Pharaoh's

Phillips had an excellent Antony Thorncroft

# Manchester **Business School**

Japanese factories in UK

### FINANCIAL TIMES

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Wednesday April 19 1989

# Banks' reply to Brady

BEHIND THE cautious welcome which most commercial bankers offered in public to the third world debt propos-als outlined last month by the US Treasury Secretary, there exists a feeling of unease. Presented by Mr Nicholas Brady as a continuation of the ideas that previously held sway and min-imised by some critics as nothing more than a tinkering with the existing strategy, most commercial bankers recognise the truth is different.

The Brady proposals have overturned many critical elements of the previous approach. By emphasising voluntary debt reduction, accelerated with financial support from the International Monetary Fund and World Bank the US has implicitly recognised that - at least for countries taking the right kind of economic measures - ability to pay should be a factor in deciding what countries should pay.

As Mexico starts talks with its leading commercial bank creditors today in New York, likely to provide the first working example of the Brady plan in action, most bankers will recognise that they will not be able to push the genie back into the bottle. They are right to be worried, since the new approach carries significant risks. Expectations of the plan in some debtor countries may have risen to unsustainable

It is also understandable that banks, particularly those from outside the US, object to being used as instruments of US foreign policy. If, as they argue, the US proposals are being driven by concern about the impact of economic dislocation in Mexico on the flows of immigrants into the US, and to a lesser extent also on the impact of debt deadlock on emerging democracies in the western hemisphere, why does not the administration put up some of its own money?

### Bottom line

But the bankers' main preoccupation is with their own bottom lines. The corollary of debt reduction is the recognition of losses by commercial banks. and one would not expect them to applaud that. Most large banks can accept the likely

losses, but some could face problems. They may argue that many debtor countries bor-rowed too much and deployed the resources unwisely. But overborrowing also implies overlending and the sacrifices so far have overwhelmingly though they face still more eco-nomic reform. The banks have escaped relatively lightly.

### Moral argument

One could not expect banks to support the moral argument. However, there are strong financial arguments to suggest that they should try to embrace the Brady proposals as convincingly as possible. Bankers are vulnerable to pressure from two sides. One is the growth in the use of interest arrears by debtor countries to finance current account deficits. Countries have shown that if they are given no incentive to stay within the system. the simplest solution is to go quietly into arrears.

The second source of pressure is western governments in and bank regulators, which can emphasise the carrot or the stick. Bankers point out, correctly, that they were encouraged to lend in the first place by western governments anxious to see a recycling of the OPEC surpluses of the 1970s. It is right therefore that their governments should ease the way to allow the banks to

participate in debt reduction. The US and other western governments are currently anxious that the banks should be provided positive rather than negative incentives. But if the banks were obstructive, these attitudes could change. For the US administration can-not lose its battle over Mexico: it has too much at stake.

Mexico is not the sum total of the debt crisis. The Brady proposals allow for the diversity of debtors and bank creditors. With the reduced need for concerted lending, individual bank creditors will be better able to choose a strategy that suits their own interests. This advantage more than outapproach and justifies active participation across a range of debtors.

# Muddled goals in France

THERE IS an schizophrenia about France's industrial policy. Since the mid-1980s, successive governments have dismantled archaic regulation and exposed the economy more widely to inter-national market forces. Yet the authorities remain wedded to preserving the biggest nation-alised sector in western Europe and to practising dirigisme in a variety of forms.

The one positive justification for this lack of coherence is that it has permitted the gov-ernment of Prime Minister Michel Rocard to press ahead with liberal reform without serious challenge from the left of the ruling socialist party. The latter has been bought off by President François Mitterrand's promise to halt the privatisation programme initiated by the Chirac administration in 1986 and by his commitment to the vague concept of a "mixed economy." To appease the right, he has ruled out re-

nationalisation.

The strength of the French economy confirms the soundness of the basic policies pur-sued by both conservative and socialist administrations in the past few years. However, their very success highlights the anomalies of continuing to keep large sections of industry under state control. While France's nationalised industries have undoubtedly per-formed well, the main reason is that the government no longer meddles routinely in their day-to-day affairs. Where direct intervention persists, such as in the re-appointment of heads of state-owned groups every three years, it has proven a charter more for promoting dubious political goals than good management and indus-trial efficiency.

### Questionable

Still more questionable have been official efforts to exert influence indirectly by enjoin-ing state-owned banks and insurance groups to take stra-tegic stakes in large publicly-quoted French companies. Such holdings serve no obvi-ous economic purpose and raise potentially awkward con-flicts of interest with the financial institutions' own fiduciary obligations and their quest for superior investment perfor-

mance.
At worst, such behind-the-

severe embarrassment, as happened last year when the gov-ernment backed an abortive takeover bid for the privatised Société Générale bank in the hope of breaking up its "hard core" of right-wing shareholders. Meanwhile, the claim that state intervention provides a moral safeguard against the excesses of capitalism has been discredited by suspicions of official implication in the Pechiney insider trading scan-

### **Bankruptcy**

The most objectionable feature of the policy is that public ownership confers an implicit and in the case of Renault, an explicit - guarantee against bankruptcy. That gives French companies operating in competitive sectors a wholly inde-fensible advantage over their privately-owned rivals. The Brussels Commission, which is already challenging government support for Renault, needs to exercise its full authority under the Rome Treaty to ensure that this damaging source of distortion does not persist in a single European market after 1992. It is possible that, well

before then, the practical defi-ciencies inherent in France's current approach will have led to its abandonment. To remain competitive French companies will need both to raise more capital than the government can easily provide, and to forge cross-border alliances and mergers in Europe. Yet state ownership necessarily limits their access to private finance while making them unattractive to many prospective corporate partners. Not many other companies would freely choose to team up with groups which are ultimately beholden to what ministers in Paris judge to be in France's national

There are already signs that Mr Mitterrand's pledge to freeze the frontiers of the state in place is being increasingly questioned from within the French government. If it cannot be renounced outright, nationalised groups should at least be freed to raise more core equity from private investors. That would progressively loosen government control and consign notions of dirigisme and the "mixed economy" to the archives of history where they properly belong.

# Terry Dodsworth describes the reaction to Japanese investment in the UK

oyota this week, Fujitsu last.
Total investment of £1bn
over a five-year period.
About 4,500 jobs in employment black spots. These are figures which demonstrate beyond all doubt the scale of the new wave of Japanese investment in the UK — one that is bound to have a lasting impact on the local economy.

local economy.

But they are also figures which raise a variety of reactions, not all positive. Set against the jobs they create and the new capital the provide is the fear that indigenous companies are losing their technology base or being crowded out of new markets.

Critics argue that the build-up of Japanese investment is a further step in the colonisation of British manufacturing by foreign companies. And while the Government contends that ownership is irrelevant, there is a widespread fear that these new UK plants will be run as remote branch divisions, far from the seat of power. British industry, it is said, may well be losing control over its own destiny.

"The rise of Japanese investment in consumer electronics seems to have encouraged British companies to withdraw into military electronics markets," says Mr Kevin Morgan, a research academic at the Sussex University Science Policy Research Unit. And there may be heavy costs in trade terms because investment does not automatically reduce imports."

As yet, many of these fears look far-fetched, simply because Japanese investment in Britain is still at a very low level. Whereas US investors began coming to Britain last century, the first Japanese company, a plastic sheet producer called Takiron, put down roots in South Wales only in 1972. Since then, total investment by Japanese manufacturers has risen to about £1.5bn - before Fujitsu and

Toyota - employing 25,000 people.

By the standard of US companies or those from other European countries, this is small beer. At the end of 1986, for example, US-owned companies employed almost 530,000 workers in Britain, and accounted for almost 12 per cent of the country's manufac-turing output; and US companies gen-erated 15 per cent of corporate capital investment against 0.5 per cent by the

Nevertheless, the Japanese have attracted intense interest. This is partly because of their status as "high profile investors," as Professor Garel Rhys of Cardiff University calls them. Everyone is aware, he says, of the Japanese success story in manufacturing. "When they decide to come in it gives you a seal of approval because they are known as the most demanding employers in the world. It is a vote of confidence in your workforce and the manufacturing environment."

Adding to this, the Japanese invasion has been mainly centred on visible, consumer goods industries such as cars, televisions and video-cassette recorders. The arrival of the Japanese in these sectors has been accompanied by the well-documented story of the collapse of UK and European competitors. Japanese expansion has alerted Europeans to the region's declining industrial competitiveness.

The realisation of the rising Japanese strength in manufacturing began to sink in about 10 years ago. The initial Japanese investments were tentative, one-off affairs by unconven-tional companies like Sony, which were ready to take a risk overseas, and which did not immediately present a challenge to domestic producers. But by the latter half of the 1970s political pressures against direct Japanese exports were beginning to build up; and since then local investment has been as much driven by politics as economics.

The initial moves against the Japanese were sparked by governments throughout Western Europe that had

# Newcomers who are welcomed but feared

their national consumer electronics industries. In a period of increasing unemployment, it became important to try and replace jobs that were being lost through manufacturing cut-backs. Voluntary restraints on imports spread like wildfire, to be followed by inward investment that helped replace some of the lost jobs.

Since then, the issue has moved on yet again. Once European manufac-turing was established. Governments began to focus on the question of local content in the products being assembled in the new plants. Some joint ventures, such as the video-cassette deal between JVC of Japan, Thorn EMI in the UK and Thomson in France, were aimed at transferring Japanese technology; elsewhere, the political moves against "screwdriver" assembly plants have forced the Japanese nese to purchase more of their components in the region.

Moves to encourage or force local European production have risen in step with the increase in Japanese influence over the market — underscored last year in the \$23bn (£13bn)

When the Japanese decide to come in it gives you a seal of approval because they are known as the most demanding employers in the world'

deficit the European Community was running with Japan. Anti-dumping steps against a series of office products, for example, have prompted a rash of investments: according to the Dataquest market research organisation, the Japanese set up 14 factories to make dot matrix printers during 1988, seven of which were in the UK. The Toyota and Fujitsu develop-

ments herald yet another phase of Japanese expansion, driven by the European Community's drive to create a genuine open market in the region by 1992. With fears that this policy could be used to erect collec-tive European barriers against them, the Japanese believe it is better to be inside the Community than outside. So a number of other large companies are expected to follow with similarly hefty investments.

The doubts that are being raised about these new arrivals centre mainly on the trade issue. This is demonstrated most graphically in the UK, which has up to now attracted the lion's share of Japanese investment in Europe in the high technology electronics sector, but has concur-rently seen an increase in its trade deficit in this area — up from £2.8bn

begun to worry about the decline of four years ago to £4bn last year.

A number of factors are blamed for industries. In a period of increasing the rising deficit. Initially, the collapse of indigenous manufacturing and exporting companies leaves a gap that cannot be filled promptly by new Japanese companies, which have their own overseas distribution arrangements. At the same time, the loss of equipment producers undermines the component supplier industry, which no longer has assured outlets; and the inward investors tend to rely heavily on their established home-country supply chains for com-ponents and the machine tools on

which their products will be made. Supporters of the new Japanese plants argue, however, that the long-term benefits of these investment projects will outweigh the short-term

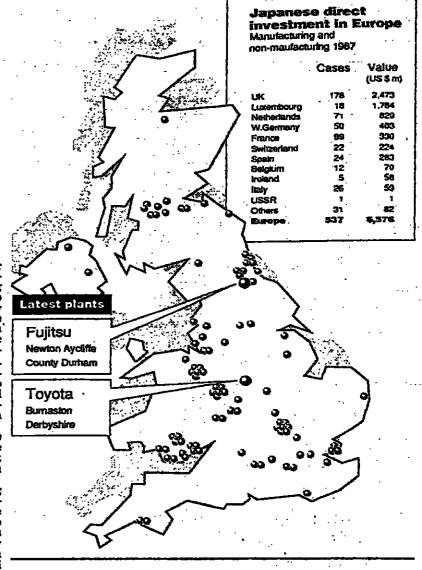
First, they cite the jobs now being created in areas where British companies have signally failed to generate employment over the last two decades. Critics argue that these jobs are generally for unskilled assembly work; but Japanese companies have a reputation for paying relatively well and offering good fringe benefits.

The second type of benefit, it is argued, is the impact of Japanese production methods on the manufacturing second of the second control of the second con

ing sector in general. This is hard to estimate, but it has undeniably spread widely over the last few years. Indeed, a new book, The Japanisation of British Industry, argues that the influence of Japanese companies has prompted far-reaching changes in the Uk since around 1986. Among the book's examples: the adoption of justin-time inventory control methods, heightened awareness of quality con-trol, stronger relationships with com-ponent suppliers, and more co-operaworker/management relationships. After several years of Japanese presence in the country, this influence is being deepened by Japanese-trained managers transferring to

British companies.
Third, UK manufacturers are being put under pressure to match the productivity standards of their new competitors - an issue which is particu-larly clear-cut in the car industry. "The Japanese are now on the door-step and the model has an immediate impact," says Mr Barry Wilkinson, one of the joint authors of The Javanisation of British Industry. "It is no accident that the car industry is the most advanced in the adoption of Japanese ideas - the threat to them is obvious."

Fourth, the supporters of Japanese investment believe that these new companies will gradually increase their commitment to a point where they will be undistinguishable from indigenous groups or the deeply entrenched Americans. "British peo-



ple no longer think of Ford as a for-eign company," says one official, "and will be the same with the Japanese 1 due course.

A great deal of the argument over local content levels is related to this question of local commitment: "screwdriver" plants do not transfer technology or generate it locally, and they require only relatively unskilled labour. But the issue also extends to research and development. Inward investors that set up local research and engineering development centres can build integrated operations with a high level of local value added. In due course, that should mean less dependence on imports or even a move into net exports.

There has been some fear that the UK will lose out in in the race for Japanese research and design centres to West Germany. Japanese companies are impressed by West Germany's large pool of skilled engineers. Sony, for example, has set up its engineering centre there, although it does development work in some areas such development work in some areas such as satellites in the UK.

nies, will certainly continue to invest across Europe because it is well aware of the rivalries which still exist within the Community. But the company is also a good example of the way in which a small initial invest-ment can lead steadily to a much greater involvement.

Starting originally with a low-tech-nology assembly operation, the group has now developed to a point where it claims to have 90 per cent local con-

tent in its UK-made televisions. At Bridgend in South Wales, where it now employs 1,700 workers, it runs an integrated manufacturing operation, producing its own colour tubes and buying in many of its other components from British suppliers. Exports from the plant, which has a turnover of around £200m, amounted last year

At the same time, Sony runs an overall trade deficit on its activities in itain because of its heavy imports of video products. Last year, the imbalance probably amounted to around £130m. But that figure would have been much higher five years ago, and the company claims that its long-term aim is to become com-pletely localised within Europe, transferring as much of its research and

production to the region as possible.

"Japanese companies will have to integrate further," says Mr Takeo Nigishi, head of the Electronics Industry Association of Japan in Europe, ecause they are moving increasingly into sensitive trade areas. As they begin to invest in infrastructure and information systems, they will need a local presence."

Mr Nigishi's model for the future

Europeanised Japanese corporation is International Business Machines, the world's largest computer company.
"IBM has a huge advertising campaign running about 1992," he says,
"giving the message that the company is part of the local European community. But we've only had 10 years and they've had 70. It takes time."

### Chile's ghost candidate

■ The switch from technocrat to politician is a metamorphosis that has tripped many an ambitious person. This explains the indecision of Hernan Buechi, the former Chilean Finance Minister, silently brooding over whether or not to declare himself a presidential candidate for elections in

December. Buechi has made his name (pronounced 'Bicki') as a bril-liant technician. He masterminded Chile's remarkable recovery from the debt crisis, earning accolades for heading the best managed economy in Latin America. When he stepped down from the Finance Ministry two weeks ago, the move was widely seen as fore-shadowing his debut as a politician.

Already a "Buechi for President" committee has been formed and has handed him a list of over 163,000 signatures backing his candidature. The committee has confidently run off an array of campaign para-phernalia from "Buechi is the man" t-shirts down to key chains and even yoghurt wrapped in Buechi labels.
Increasingly he looks the government figure with sufficient electoral appeal for pinoche-

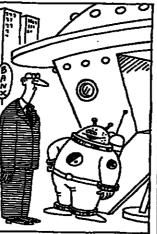
tismo without Pinochet.

Just turned 40 (the requisite age for a presidential candi-date), Buechi looks precociously young with a mop of student-like hair. He is a health fanatic and likes to test himself in dangerous sports such as hang-gliding. In his early days at the Finance Ministry, he insisted on arriving by public transport to the exasperation of his bodyguards. Only a man with supreme self-confidence would act as he does, which lends him a touch of arrogance.

touch of arrogance. When first approached by Pinochet, Buechi is understood to have rejected the idea on the grounds that he was merely a technocrat. He has now changed his mind suffi-

# **OBSERVER**

ciently to assemble a team of advisers, including one of Santlago's highest profile young movers and shakers in the business world. Sebastian Pinera. He has also met leaders of the church, unions, and con-



"Small world - we use the ECU too on Mars".

servative political parties that might back him. Untried though he may as a politician, anyone who has survived 13 years of internal government wrangling has to have some political skills.

Tower's move ■ John Tower, the former US senator rejected by Congress as President Bush's choice for Defence Secretary, has reverted to his old habits. By reverted to his old habits. By this, I do not mean his much publicised struggle with the bottle, but his acceptance of a job on the board of Macmillan, the New York-based publishers gobbled up last year by Robert Maxwell.

Previously Tower had served as chairman of Romerous Date.

as chairman of Pergamon-Bras-sey's international defence publications and Armed Forces Journal, both subsidiaries of

Maxwell Communications. He has now resumed these jobs to which he brings all his expe-rience as a former chairman of the Senate Armed Forces Committee. This raises the intriguing question whether Tower will renew his well-re-munerated relationship with British Aerospace, which he interest when the in-coming President put him forward for the Pentagon job.

### Small change Tradition dies hard in the Isle of Man, so jealous of its independence within Britain.

But now it is a case of all change with the small change When David Cannan, the Finance Minister, presented his third budget yesterday to Tynwald, the island's 1,010-year-old parliament, he revealed that the last of the ten bob' notes would have to go. The Bank of England has in effect forced the change through a new series of banknotes which are to introduced over the next four years. The new £5 note, which Cannan says will come in next spring, will be the same size as the Manx £1 note. A similar prob-lem is faced by the Scottish and Northern Irish banks, and the Channel Islands government, all of which also issue

ment, an £1 notes. Rather than abandon them, a new size for all have agreed a new size for their £1 notes. In the isle of Man's case, the size will be too near that of its 50p note, so it will have to go, however cussedly popular it continues

Camp stools

■ Some of the most sensitive intelligence about the British Army's movements in West Germany, our Defence Corre spondent has discovered, is

in the hands of a private company based in Ratingen, near Düsseldorf. Dixi Sanitär System, with branches spread throughout the country, has the business of renting out the portable lavatories that are now used on all BAOR troop exercises. The exclusive use of "Portaloos" is one of the results of growing "Green" pressure, which has already restricted the areas in which Nato forces can continue to carry out their manoeuvres in the country.

The old method of digging latrines and throwing chemicals down the hole is now out, In have come rather conspicuous blue-and-brown boxes, with an incongruous heart painted at the top of the out-side door. Their resemblance to the Tardis of the Dr Who television series is reflected in the nickname given to them by the soldiers.

Dixi's general manager Lothar Vermillion, says the company provides the same services for US, Dutch, Canadian and other forces in West Germany. Its contract includes daily emptying with a special tanker truck, cleaning and disinfecting. It also has to move the facilities around with the troops, following the "grid co-ordinates" used by the units involved in the exercise – information which it has to treat, Vermillion says, as "absolutely confidential."

In a major exercise, the number of cabins deployed can go into hundreds, which at DM 80 (£25.16) each per day adds to the extra costs already involved in renting property from consenting farmers and compensating for damage. Vermillion says Dixi began to do business with the British Army siv or seven peers ago but the six or seven years ago, but the use of its cabins has now use on its caoins riss bow become standard. "With all the ecological thinking now," he says, "it's the natural thing to do."

Robert Graham



### BUT WHAT ABOUT CHILDREN NOT IN NEED?

Happily, many children today have made their way in the world so well that they neither need nor even want to benefit from family legacies. And to their fortunate parents we would like to say this: Should you decide to bequeath only part of your estate to your children, and would like to find an outstandingly worthy beneficiary for the residue, please consider helping the work of the DGAA.

For over ninety years the DGAA has been caring for the special needs of kindly, educated people (very much, perhaps, like you) – gentle people to whom life has been less than gentle, often leaving them bereaved, destitute, frightened and alone.

At first, helping such folk to "grow old with dignity" many beloins as

At first, helping such folk to "grow old with dignity" means helping to sustain them in modest comfort in their own homes . . and later, it need be, with professional care in one of our 13 Residential or Nursing Homes, where the companionship and conversation of others like themselves can bring real warmth and pleasure. We depend very largely upon donations and legacies from people like you, so please consider using some of your "Will Power" to help us. Our FREE fully explanatory booklet, available on request, will tell you how.

THE DISTRESSED GENTLEFOLK'S

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n the Big Bang euphoria. a massive amount of capi-tal was committed to the securities market in London. Even at the time, many of those involved knew that it was being overdone; but secur-itisation was in full flood and London was the place to be. No

one wanted to miss the bus. For a while, trading volumes rose to levels which disguised the extent of over-investment, at least in equities; the gilt edged market is a different story altogether.

Eventually, the inevitable result came. It has happened countless times in many industries: business flourishes, profits look good; newcomers arrive, capital investment pours in; then turnover falls, margins are cut in the scramble for a higher share of a smaller total market, and the pain begins. It takes time before enough capital is with-drawn to allow margins to recover and equilibrium to be restored.

For some time this malaise has hung over the equity mar-ket in London. Costs are still high; trading volumes of cus-tomer business are running at only about 50 per cent above pre-Big Bang levels even on the basis of the busy first three months of this year. Margins are thin. But it is not simply the pressure on profitability that worries people. There is the wider question of whether the Stock Exchange and its trading system can provide an effective central market.

A "central market" means no doubt, different things to different people. To me it means simply a market to which members bring their business, and transact it with other members under clear market rules which ensure that bargains are properly and

promptly settled.

If members bring all their business to the central market, liquidity is improved; and it must be transparent enough to ensure that everyone can check that their deal was done at the right price.

In London we have the "competing market maker" system, based on Nasday. The specialist system used on the New York Stock Exchange is totally different, and so are the Cats order matching system used in Canada for less active stocks; that in France; and also the Tokyo matching system. In London any member can become a market maker, and exhibit on Seaq screens the prices and sizes in which it is prepared to deal. The idea is that the market maker then deals as a principal with other members. As everyone knows, there is no floor, except for traded options; it is all screens and telephones.

# Fine-tuning the London market

By Martin Jacomb

The system has its draw-backs. All systems do. The NYSE seized up at the time of the October 1987 crash. So did almost every other market except London. And many users of the Canadian system are certainly not Cats lovers.
But our system works. Investors find they can get their transactions done more easily and certainly more cheaply than before Big Bang. The cost of small transactions to private investors is a separate question which can only be answered in the end by more automation.

Nevertheless the recent low volumes.exposed some aspects of our system which badly needed improvement.

A market must aim for maximum Benjutting all markets are sent to the system. A market must aim for maximum flquidity. "Liquidity" is the market's capacity to take on business brought to it, without causing undue price fluctuations. It cannot be generated artificially. Liquidity depends on real buyers and real sellers. But the trading system can encourage them to appear by demonstrating that their busi-ness can be done; and as this occurs, so liquidity is improved and more people want to deal. The process is self-fulfilling. Liquid markets are important because investors will pay more for securities which they can readily sell and, thus, the cost of capital is reduced. This is the core economic justifica-tion for a central market.

The market should be as transparent as possible, so that everyone can satisfy them-selves they have got the going price for their purchase or sale. This enhances confidence and hence business. But it is no good imposing rules to secure transparency which in fact reduce liquidity. Maximum liquidity is what market users

It was to improve liquidity that the Stock Exchange introduced the two recent rule changes. The first change was to remove the obligation on market makers to deal with each other at the price and size quoted on the Seag screen. The need for this was clear. In an effort to capture busi-

ness, many firms were quoting sizes on Seaq screens which bore no relation to their will-

ineness to commit their own capital. They could do this in the sure knowledge that other market makers, obliged by the rules to do so, would take on, or supply, the stock needed to complete the transaction. Thus in terms of sizes (the number of shares which market makers were prepared to purchase or sell), the Seaq screens were displaying far more total liquidity than was really there.

The screens were not just failing to show the market's real liquidity, but were actually giving a false impression.

Some market makers, including BZW, as a defence to this, reduced their screen advertised sizes to nominal levels, far below the levels at which they were actually prepared to deal. Otherwise they would have remained sitting ducks, sur-rounded by professionals with loaded guns; there is no room for the sportsman's code.

Since this rule has been changed, screen sizes have become more realistic. Several firms have lowered theirs, and the larger firms which had reduced sizes defensively, have increased theirs. Seaq is thus giving a more accurate picture of liquidity. To this extent the market is more transparent, making users more confident and generating more business than would otherwise appear. But transparency is not just about displaying prices. It is also about reporting executed

transactions.
The second change allowed the Stock Exchange to delay for up to 24 hours before pub-lishing the transaction price of all deals over £100,000. The transaction and its size continue to be publicised as before, more speedily in fact.

The need for this change, which admittedly reduces transparency, was also obvious to anyone close to the market. When sizes and prices of all transactions were visible in the market place, market makers could quickly identify who was responsible for a large deal, and move their price in that stock immediately, preventing the house in question from

trading on except at a loss.

This discouraged market makers from taking on large

The Government now needs

to go further.
In the world's two leading

pharmaceutical markets, the US and Japan, the law now

permits the extension of the

normal patent term, partially to compensate for the "ero-

sion" caused by compliance

with regulatory procedures. Given the importance of

US and Japan in theirs.

sibility. But without adequate resources it will simply be a toothless tiger, unable to gain

the respect or confidence of Community consumers.

If we want a genuine single market for food, then we must

establish a genuinely indepen-

dent, strong, and open regula-tory body which will be seen to

put the interests of consumers

above that of producers, pro-cessors, distributors and the

catering industry. Tom Raftery, 17 Haildene Drive,

extent of the proposal.

Peter Randall.

T.G. Arthur Hararave.

41 Calthorpe Road,

Jeremy Strachan, Glazo Holdings, 61 Curzon Street, W1

deals. Furthermore, since often several transactions are needed to fulfil an investor's require ments, the rule obviously operated to the disadvantage of end users. It encouraged them to do their business away from the central market. And this in turn damaged the liquidity of the central market, which always needs all the business

it can get.
The changes were controverrile changes were contriver-sial. Some critics saw the re-emergence of the old close-knit jobbing fraternity. But there is no risk of a cartel. Competition is alive and well; fierce would be an understatement. A few saw discrimination

against non-British houses Again this is demonstrably wrong. Some of the best names are non-British, including Hoare Govett and Phillips & Drew. In fact, most US and other non-British houses saw the need for the changes. Some authoritative voices have regretted the reduced

transparency, David Walker, Chairman of SIB, among them. But I think David Walker had it right when, as reported in this newspaper, he accepted that there was a conflict in the short term between transparency and the need for liquidity. These changes will not, I hope, be the last improvements to be made. Any system needs fine tuning to keep it up to date. I myself believe other

mendments are needed now. First, since I believe in a strong central market, I think all business handled by mem-bers should be brought to it, unless the business is to be transacted on another exchange. One of the consequences of dual capacity is that stock sold by a client can be bought by a broker as a principal even though he is not a market maker, he can then offer the stock to other clients, on the basis of market makers' prices quoted on Seaq; and when this fails, he can sell to a market maker. The business thus comes to the market "sec-

But if he succeeds in selling to another client, the deal goes round the market, and does not contribute to price formation or market liquidity. I think an



"order exposure" rule, a very familiar concept, is needed, under which the business is exposed to the market at the price at which it is going to be sold to the client, so that it contributes to price formation. As a minimum, the broker-dealer would report both sides of a matched transaction to the Since maximum transpar-

Stock Exchange; and the information would be displayed on Seaq as an update to volume, with prices, and also with an identifying symbol. Obviously I have a vested interest in that BZW as a major market maker, would see some of that business and get less offered "second hand." But even allowing for that, the more business that is shown to the market, the better market

I also think the market would be healthier if market makers had to demonstrate, as a qualification, that they have a specified share of investor business. This might be based on a share of investor business by value, similar to the system governing primary dealership in the US Treasury Bond mar-ket. The test would come after a trial period, long enough to build up the necessary market

share. My own view is that any qualification system must ensure that membership is open to a wide cross section including niche houses, not just the larger market makers. This could be achieved by allowing market maker status in any sector in which a firm has a minimum percentage of investor business. Alternatively, a percentage of overall market share would allow mar-

ket making in any sector. Whether a qualification system left five or 25 market makers would not then matter: all would be contributing. Those

who failed to qualify would only be those who currently treat market making as an "add-on" facility to their range of services without adding any thing to the market place itself.

ency of deals executed is also desirable. I think a simple limit, now set arbitrarily at £100,000, for deals whose prices are not now published for up to 24 hours, may be capable of being improved. The definition of "large" transactions could be more closely allied to a share's liquidity, calculated perhaps by reference to the average number of deals done in that share per day. A com-pany's shares that are traded 10 times a day are far less liq-uid than one whose shares change hands 20 times a day, irrespective of the size of indi-vidual deals. While shares of 450 companies are traded more than an average of 10 times a day, shares of only 50 per cent of alphas, about 85, change hands more than 20 times a

day on average.

The level could also be linked to market activity generally. The problems with large deals surface only when market turnover is low. There will be a need for further amend-ment as market conditions change.
I wish these rules affecting

the trading system were the only problems the Stock Exchange had to face. It is not so. The next pressing issue is the settlement system; we must put aside short-term sectional interests and urgently produce a solution which will keep London ahead of competing financial centres.

Sir Martin Jacomb is chairman of Barclays de Zoete Wedd, the London investment bank.

# Bitter pill for Swiss bankers

William Dullforce explains why a way of life is threatened

ne Swiss Cartel Commission added to Swiss bankers' worit unveiled sweeping deregula-tion proposals that would dismantle 18 cartel·like arrangements operated by the banks. The bankers are already under pressure. A money-laundering scandal earlier this year turned the spotlight on the use of the banks' services by organised crime. A bill which seeks to make even negligence by banks in handling dirty money a criminal offence is now speeding through parlia-ment. And last week the Banking Commission said it would tighten control over the banks' SFr 80bn-100bn (£28bn-£36bn) a year international banknote

exchange business.
The Cartel Commission's report would, if implemented, have a still more profound effect. It swept aside the big banks' constant argument that the agreements kept alive the small banks and provided for diversity in Swiss banking. Not at all, it said: the big banks had benefited more. For foreign bankers and cor-

porate borrowers, the most significant proposals are probably those that aim at opening the way for other banks, including foreign ones, to compete more freely with the syndicate run by the three big banks Union Bank of Switzerland, Swiss Bank Corporation and Credit Suisse – in the under-writing of Swiss franc bond

But the Commission attacks nearly all the domestic price-fixing agreements - on inter-est rates, brokerage fees, foreign exchange commissions, charges for custodian and other services and on bank advertising. It said they "were harmful to the capacity to adapt and the competitiveness of the Swiss banking system." Mr Pierre Tercier, the Com-mission's chairman, said the aim was not to set off a "Big Bang" deregulation, as in Lon-don. But he added pointedly that the Commission wanted its objectives met by the beginning of 1992 - the year for completion of the European Community's single market. Since a change in the law in 1986, the Commission has dations are not followed, the government can enforce them. Enterprises can then only appeal to the Federal Tribunal

(supreme court).
The big Swiss banks have declined to comment before they have studied the propos-als. But other bankers assume that with the Swiss National Bank and the Banking Commission also set on deregula-tion, big bank resistance could not be effective.

"It is exactly the medicine they needed," the president of a smaller bank said. Competition would force the big banks, which in the past have gener-ally moved in step - co-ordina-ting their declared profits and dividend pay-outs - to start moving in different directions

moving in different directions and to specialise, he says.

The big banks may find it difficult to swallow the prescription that members of their underwriting syndicate should be free to form or join other ad-hoc syndicates for particular bond issues. "We might as well forget the syndicate." one well forget the syndicate," one of its members said.

A more common view was that the syndicate would stay together for the big issues but that a larger share of the market would be taken by other groups, including more foreign banks. Last year the big syndicate managed well over 70 per cent of the SFr 40bn in new issues and its share has been higher this year.

Other attempts to improve banking competition are likely. The Swiss National Bank has been warning the banks that Switzerland's role as a haven for "grey" money that has escaped foreign tax inspectors could come under pressure from the EC. Estimates of the funds under management by Swiss banks vary between SFr 600bn and SFr 1,000bn. More than half belong to private investors.

One banker calculates that half the private money, or some SFr I50bn at least, has taken advantage of Swiss bank secrecy to evade the taxman. If those funds had to move out under EC pressure for changes in Swiss law, what would hap-pen to Swiss bank profits? The bankers' worries may not be over. Their consolation is that everyone is conspiring to make them more competitive.

2.

### Patents need 'lost' lifespan restored

maceuticals require.

(research and development) investment which new phar-

Furthermore, the increasingly rigorous, time-consuming

tests and trials to which drugs

are subject before they can be cleared for marketing by the

appropriate government agency can take over 10 years. So the effective patent life —

the period between marketing authorisation and patent expiry – for a drug in the UK is now well under half the the

oretical maximum of 20 years. The UK Government recog-

nised these exceptional fea-tures of the industry by includ-ing, in the Copyright, Designs

and Patents Act 1988, provision for the abolition of "licences of

right" for pharmaceuticals, which had effectively reduced the period of full protection for

From Mr Jeremy Strachan. Sir, While Lex's description of the shortening of effective patent life as the "real killer" for the research-based pharmaceutical industry may not be the happest choice of words (April 17), your columnist puts a finger on a serious problem which needs to be tackled urgently, not only in the UK but throughout Europe.

In most EC countries, patents have a fixed duration of 20 years. But while this rule applies to all patents, it has a special significance for the innovative products of the pharmaceutical industry.

Because of the ease with

which its products can be copied, the industry is uniquely (I use the word advisedly) dependent on a reasonable period of patent protection, during which it has the opportunity to recover the huge R&D

Sir, I agree entirely with your leader comment ("The fuss about food," March 16) that "a food regulator must be above suspicion."

Lack of confidence in your

Ministry of Agriculture, Food and Fisheries (MAFF) is not unique to Britain. It is widespread throughout European Community countries, pre-cisely because the regulatory authorities are not indepen-dent of politicians. Hence the significance of your suggestion that an independent food

Food consumers should come first

have an independent central regulatory body, similar to the US Food and Drug Administration (FDA), in which EC citi-

Pension ceiling falls still further

From Mr P.A. Randall.
Sir, The Budget proposals included a ceiling of £60,000 on the earnings pensionable through tax-approved arrangements. The Chancellor also ments that these limits announced that these limits would not be imposed on employees joining existing company pension schemes before June 1.

But there is to be another, less widely known limit. The Inland Revenue proposes a ceiling of £9,000 on personal contributions qualifying for tax relief. It intends this limit to apply to all employees, whether or not they are subject to the £60,000 cap on pension-

able earnings.
The limit will particularly affect the higher paid, espe-

From Professor Tom Raftery
MEP.

Sir, I agree entirely with your leader comment ("The fuss about food," March 16)

Agency might be the answer.

As rapporteur for a report on the food industry in the EC, drawn up for the Economic, Monetary Affairs and Industry Policy Committee of the Euro-pean Parliament, I have come to the conclusion that it will be extremely difficult — if not impossible — to have a genuine single market until we zens have real confidence.
Presently the Commission is

gradually assuming the respon-

cially those making large vol-untary contributions. Where Inland Revenue Memorandum 99, recently issued to pension scheme practitioners. It took further inquiry to discover the the company scheme is con-tributory, these payments will also count against the £9,000

ceiling.

The proposed limit is to apply from the 1989-1990 tax year onwards. Many of those paying large voluntary contributions do so when they receive bonus payments, and it is connectable that some both. is conceivable that some individuals have already exceeded the limit in this tax year. Because the limit relates to regular payments as well, a fair number of people may

presently be committed to con-tributions exceeding it.

So far as I know, the only announcement of this has been in an obscure paragraph of the

Coal pros and cons

From Mr Albert Tuke.

Sir, I am sympathetic towards Mr Cawood, leader of Selby District Council (Letters, April 8). Change in the rating system will result in Selby district receiving less income from the mining industry. (It will also result in the mining industry paying substantially

more than at present.)
On the other hand Selby British-based companies in the world pharmaceutical market, there could be no more suititself, which for centuries has had flooding from the River able project in the context of Ouse, is now protected by a 1992 than a Government-led, EC-wide initiative to restore flood bank constructed from the waste material brought to lost patent term to UK and the surface at Gascoigne Wood other European pharmaceuti-cal companies in their bome and paid for in part by British Coal. We also spent £2m markets, at least to a level comparable to that enjoyed by important competitors in the

improving local roads.

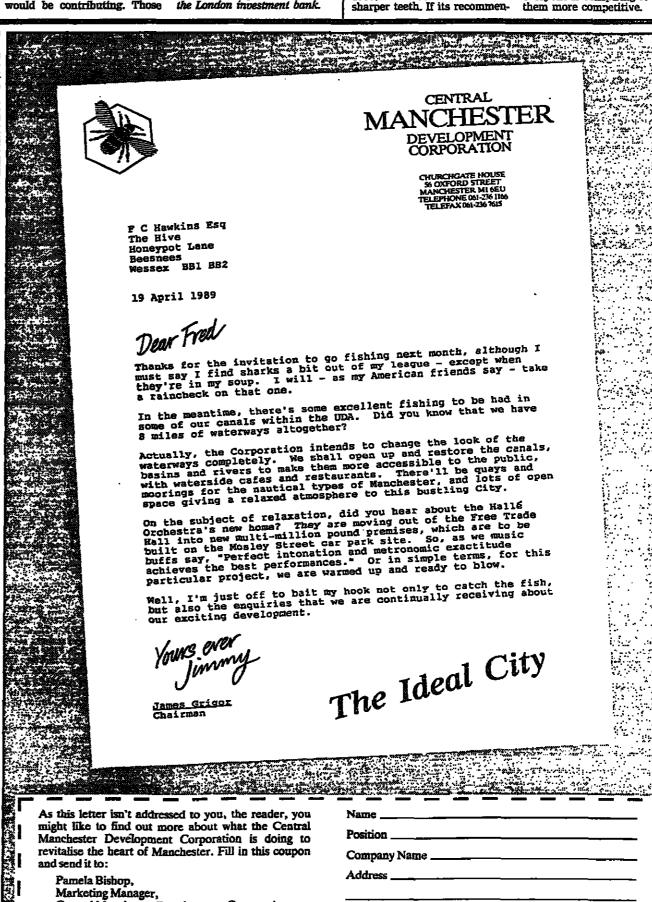
Three thousand of our men work in the Selby coalfield, and this figure will increase when the last of the five production units comes on stream. About 1,200 have already moved into the district; their average earnings represent

spending power of more than £12m a year. Seismic work accurately pre-dicted the most important faulting pattern of the coal field, but the technology avail-able at the time could not identify the minor faulting at the depth we are working. This has proved to be much more intensive than anticipated, and has contributed towards the production of a higher dirt content in the coal than expected. The local authority can blame the geology if it wants, but not the geologists. After completing certain earthworks at Gas-coigne Wood, dirt mined with the coal will be taken away from Selby by rail and disposed of elsewhere.

of elsewhere.
In general, I do not take issue with Mr Cawood. The coalfield was the biggest plank in the Plan for Coal, and during the 14 years since its con-It must be wrong to leave individuals in the dark about potential tax liabilities. The ception the economy has seen a marked change. Mining is not immune from that change; the number of pits has dropped

Revenue should now make a clear public statement of from 259 to 86 in that time. Neither is Selby immune, and Selby and ourselves must exactly what its proposals are.
Better still, they should be amended so that the contriburespond positively to the conditions of today and tomorrow. I tion limits are restored to their believe that the expectations of the Selby Coalfield will be met, previous level of 15 per cent of employees' pensionable earnings in each year, thus applybut the timescale will be longer than originally supposed. Albert Tuke, British Coal Corporation, North ing the contribution limit only where the benefit limit applies.

Yorkshire Area, Allerton Bywater. Castleford, West Yorkshire.



Central Manchester Development Corporation,

Churchgate House, 56 Oxford Street,

Manchester M1 6EU



# FINANCIAL TIMES

Wednesday April 19 1989





# Independent anti-trust body urged for Europe

By William Dawkins

PROFESSOR Wolfgang Kartte, president of the West German federal cartel office, yesterday called for the creation of an independent European anti-trust authority to vet poten-tially anti-competitive cross-

border mergers.

He defined for the first time what kind of European merger control system the Berlinbased authority could accept, a significant change from its for-mer position as the most pow-erful and outspoken critic of a European Commission plan to extend its own authority over EC-wide mergers.

Mr Kartte's comments still reveal that the federal cartel office is a very long way from accepting the Commission's proposal, toned down early this month by Sir Leon Brittan, European Competition commissioner, in a bid to resolve a 16-year deadlock.

However, his remarks could reduce tensions between the cartel office and the federal

His demands follow a similar idea floated recently by Mr Sydney Lipworth, chairman of the UK's Monopolies and Merg-ers Commission, another lead-ing sceptic of the Commission's plan. Mr Kartte called for a three year trial period in which both the new EC organisation and national cartel offices could vet large mergers. EC authorities' decisions

would take precedence but national bodies would keep their autonomy over mergers where the Community took no

We need this time to reconcile the crucial question of the different national standards applied in the merger policy, he said. "That is far more important than numbers." Deals with combined annual sales of Eculobn (\$9.1bn) - twice what the Commission is proposing - would need

clearance. Mr Kartte accepted that this would force an estimated 20 to 30 companies a year to notify their takeovers twice with the European and national authorities: a problem the West German and UK governments are anxious to avoid. However, this was no different to the present situation, where many big cross-frontier mergers aiready seek clearance from Brussels as well as their own national authorities as a matter of prudence. This would only last for the trial period.

# Boeing wins biggest share of \$17bn aircraft order

By Kieran Cooke in Dublin, George Graham in Paris and Lynton McLain in London

Boeing 8737

Total

GPA ORDER

308

largest it has received to date, is for a mixture of 737, 757 and

767 airliners.
The Airbus Industrie order

involves 30 of the company's

150-seat twin-engined A320s and a mixed fleet of 24 of the

new A330 and A340 medium

and long range airliners which

are being developed in parallel and are planned to enter ser-

vice in the early 1990s.

The 72 McDonnell Douglas aircraft comprise 64 twin-engined MD-80s and 8 MD-11 tri-

fully exercised, are worth \$860m to British Aerospace for

its part in the Airbus Industrie

programme. Rolls-Royce will

have \$500m worth of work in

providing engines to power 50 Boeing 757 airliners and a pre-

viously announced GPA order for 100 Fokker F100 twin jet

US aero engine makers Pratt & Whitney and General Elec-

Nixdorf profits fall by 90% to

DM26m despite property sales

already foreshadowed by ear-lier statements, Mr Luft said the first quarter of 1989 "gives us courage." The trend had become positive, with turnover up by 7 per cent, and the order

Moreover, costs had risen less steeply. Last year's 16 per

cent increase in labour costs had slowed to an annual rate of 8 per cent in the first three

months of 1989 - some 1,600

jobs are being shed this year
- with other operating costs

kept steady.
Mr Luft again stressed that
Nixdorf was not for sale. This

was one reason why a small

dividend, costing DM22m against DM112m in 1987, was being paid, despite the operat-

ing loss. If this minimum level is not paid for two years, the

shares obtain voting rights. Nixdorf also wanted to keep

faith with preference holders, who contributed to its strong

balance sheet, with a 60 per

the group's rapid slide in for-tunes, Mr Bohn is stepping

Highlighting the extent of

cent equity ratio.

backlog 9 per cert higher.

The orders and options, if

\$16.8bn

believed to be a record order for commercial air-craft – worth in total almost \$17bn – placed by GPA, the Irish aircraft leasing and finan-cial services group, has gone to

Boeing of the US.

Of the total planned purchase of 308 aircraft over the 10 years, 182, with a value of \$9.4bn, would be Boeings. The \$9.4bn, would be Boeings. The deal, announced simultaneously yesterday in New York, London and Paris, also involves 54 aircraft, worth \$4.3bn from Airbus Industrie, the European aerospace consortium, and 72 from McDonnell Douglas, also of the US, worth \$3.1bn.

Yesterday's deal, however, covers only 123 firm orders, the rest being options or orders

rest being options or orders subject to reconfirmation. The firm orders have a value of just over \$6.5bn over the period to

The Shannon-based GPA, parent company of Guinness Peat aviation, has made initial pre-payments totalling about \$2bn for these aircraft. Dr Tony Ryan, the chairman

and chief executive of the GPA group, said in New York that the commitment meant GPA expected to purchase about 10 per cent of all commercial jet aircraft delivered up to the mid-1990s. The purchases were to help

meet a forecast doubling of world airline traffic to 2bn pas-sengers by the year 2000 and to replace old airliners, Dr Ryan said. He forecast total demand for 7,000 new jet airliners and 3,500 new turboprops by the end of the century, worth in total \$425bn.

The order for Boeing, which the US company says is the

By Andrew Fisher in Frankfurt

plunged into an operating loss

last year, but managed to achieve a sharply diminished

net profit with the help of

terday that Mr Arno Bohn, 42,

its marketing director was to resign. Announcing the man-

agement move, Mr Klaus Luft,

chairman, declared that

"important goals have not been

Nixdorf made a pre-tax loss on normal business operations of DM60m (\$32m) last year.

compared with a profit of DM331m in 1987. It was hit

hard by higher memory chip costs, stiffer competition amid rapid shifts in market trends,

and a jump in staff expenses. But with the proceeds from land and building sales, the

company's net profits were

DM26.4m, a 90 per cent slump from the DM264.2m the previ-

Nixdorf has already said it will cut its preference dividend from DM10 to DM4 a share,

with the voting shareholders (the Nixdorf family and two

property sales.
The company also

NIXDORF, the troubled West foundations) receiving nothing. Despite the announcement,

tric, the Franco-US group CFM International, comprising GE and Sneema of France, and the Anglo-UK-Italian-Japanese International Aero Engines group will build the engines for the other sircraft

for the other aircraft.

The company says it has
\$5bn in lines of credit available
and does not need to fund all and does not need to fund all its orders immediately. In recent months the group has been diversifying into nonbank private and public debt markets for funding, mainly in the US and Japan. Mr Ken Holden, head of market development at GPA said yesterday that the company was "pary the compa that the company was "very relaxed" about funding its

GPA's leasing business has grown dramatically, particu-larly in the last three years. The group now has 172 aircraft with a net value of \$3bn operating with 64 carriers in 32

countries.

The group says it now controls about half the leasing business in new aircraft. GPA says that between now and the end of the century passenger traffic will double and predicts that in future one out of every five new aircraft coming into service in the western world will do so on a lease basis.

Dr Ryan, son of a Tipperary train driver, started GPA in 1975 with an initial share capital of \$50,000. The group, whose main shareholders include Air main shareholders include Air Canada, Aer Lingus, Mitsubishi, the US Prudential Insurance Company and Mr Ryan, was recently given a market valuation of more than \$1.5bn by Salomon Brothers.
This order means GPA now

has orders or options on a total of 819 aircraft. Background, Page 8

down from the job of market-

ing and sales director at his

own request.
"I didn't fulfil my own standards," he said. "That is no basis for me as head of sales and marketing." He said there had been no pressure from the

board for him to leave after 20

years' service.

Mr Luft declined to forecast

1989 turnover after last year's 5

per cent rise to DM5.3bn. Nor would he indicate for what

level of earnings the group

hoped. He repeated that Nixdorf's strategy was now to

concentrate more on software

and systems integration. Mr Sven Kado, finance direc-

tor, said software costs had tri-

pled in the last three years to DM313m.

Under West German accoun-

tancy rules, most of these went through the profit and loss

account, whereas US rivals

Mr Kado said the total pro ceeds of the property sales had been DM196m. Some buildings had been leased back by

Nixdorf. The group tax bill for

1988 was virtually unchanged at DM67m.

could capitalise them.

### UK soccer tragedy puts world stadiums in spotlight By Our Foreign Staff

THE DISASTER at the Hillsborough football stadium in the UK's steelmaking town of Sheffield, where 95 people were crushed to death last week, highlighted the poor condition of many British soc-cer grounds and the poor facil-

ities given to fans.
But what are the conditions at sports stadiums around the world? and how do countries cope with the problem of sports-related violence?

WEST GERMAN officials claim that a disaster like Hillsborough's is hard to imagine

there. Many stadiums were built in the last three decades on sites away from built-up sreas.
Security and safety were thoroughly reviewed before last year's European championships and improvements made. At Frankfurt's stadium, which is outside the main city,

standing places were halved to Tickets are inspected several Tickets are inspected several hundred metres before fans reach the ground. There is a security zone where police can react to groups attempting to rush through to the terraces and, if panics occur inside, gates can be quickly opened onto the field.

MUNITED STATES - Everyone has a seat at the modern.

has a seat at the modern, indoor and outdoor stadiums which serve as homes for the National and American Football League teams.

American football is a des-

perately rough sport-but the crowds who regularly flock to the stadiums every winter are well-behaved. One obvious reawent-tenaved. One obvious rea-son is that the games are sea-son-ticket affairs only. Most people have to rely on live television coverage to catch

the game.
Such restrictions on the general public's attendance means that crowd control really is not a problem.

BRAZIL - The astonishing

displays of flag waving, ticker tape, smoke flares and fire-crackers that shower down on premier football teams reflect a passion for the game that seldom, if ever, has ended in

tragedy.
While huge stadiums such
Maracana. the world's largest with a 200,000 capacity, attract vast crowds from the poorest sections of the community, their physical scale is such as to prevent an overcrowding tragedy like Hillsborough.

Policing has been stepped up in recent years to halt pitch invasions by fans, but a thin blue line of baton carrying officers, together with dry moats and wire fencing appear to have proved sufficient disto have proved sufficient dis-

SDASION ■ SPAIN - Violence by young right-wing extremists has been increasing sharply in football. The most notorious gangs include the Ultra Sur, who pack the south stand at Real Madrid, Atletico Madrid's Frente Atletico and the Boixos

Nois at Barcelona.
Luckily, though, clubs made big investments in major grounds for the 1982 World Cup, improving seating and exits at both Madrid grounds, in Barcelona, Bilbao, Seville and Oviedo. Most spectators, therefore, have seats. Atletico Madrid does protect

its field with a fence, but officials say this could easily be knocked down by a crush of supporters. Other grounds have dug a trench around their fields to stop people run-ning on to the pitch. Most clubs hire their own security forces to patrol inside their

Entry to most clubs is by ticket through a turnstile. This summer a scheme is to be introduced nationwide under which fans entering a ground will be required to use either a coded season ticket or a magnetised card.

BELGIUM In the wake of

the Heysel stadium tragedy in 1986 where 39 fans were killed liament carried out a detailed grounds and made a number of recommendations where shortcomings were found. This has not yet been followed up with legislation.

NETHERLANDS - The Heyse mnetherlands - The Heysel disaster prompted a number of measures to be introduced to control football crowds. Stadiums have been rearranged to provide more seats and less standing room. No game is completely sold out so there are always 5-10 per cent of the seats left empty for manouevring room. Entrance is allowed only with a ticket and no tickets are sold on the day before ets are sold on the day before "high risk" matches. An identity card scheme for five clubs is due to be launched at the end of May, although it has been repeatedly delayed.

# Testing the joins at Gateway

somehow, the bid for Gateway is not quite as advertised. Rather than a shareholders' revolt, it is a piece of financial engineering from a group of buy-out specialists with 4 per cent of the equity. Its resemblance to the Barker & Dobson bid is no coincidence, since it is led by one of Mr Fletcher's advisers. And rather than an assault on Gateway's manageadvisers. And rather than an assault on Gateway's management, it turns out to be civil war, with four members of the food subsidiary's board working for the enemy.

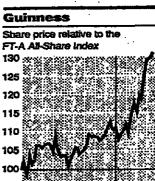
There are two crucial differences from the previous bid. Mr Smith has managed an allcash offer, and he has pre-sold the superstores on published and seemingly advantageous terms. The next question is

terms. The next question is how much can be got for Herman's. One can sympathise with Mr Monk's argument that this is the worst time to sell; but he has run out of time, and the cash is needed by the financial engineers. As to how the smaller stores are to be improved, there is a distinct shortage of detail. But that is of no concern to shareholders, unless they are minded to take the convertible and gamble on the re-flotation terms; and the same applies to the identity of the mystery directors who are to be brought in when the deal is completed.

At 188p, Gateway's shares are still 7p below the offer. This is cautious, but probably sensible: there is a hint that the 195p price can be improved upon, but there is also the out-side chance that the Office of sale to Asda. And it is cer-tainly the market's view that Asda is paying through the nose, to judge by yesterday's heavy volume of selling and the 4 per cent drop in the price.

One can sympathise to an extent. Asda may be paying less per square foot than Argyll did for Safeway, but Argyll was buying a brand name. Asda will be virtually 100 per cent geared; and since there is a premise of no rights. there is a promise of no rights issue, the aim of halving gear-ing by year two will mean realising some of the value of existing properties. The deal will increase Asda's selling area by half, and rank it third among the nation's grocers: but it is taking a big chance,

Although GPA's \$17bn aircraft order had been widely leaked, and only just over a third of the orders are firm contracts, the idea of a small



Irish company purchasing 10 per cent of the world's commercial jet aircraft between now and the mid-1990s is amazing. Doubtless, GPA is very good at reading the airline market, but the order is reminiscent of those shipowners in the early 1970s which went out and ordered massive supertankers on a speculative basis; and everyone knows what hap-pened to most of them. Of course, this time it is dif-ferent. The steady growth of the airline demand, the firmness of aircraft prices and the shortage of capacity as older aircraft fall to bits make the economics of GPA's operation look fail-safe. However, much of GPA's profits come from

trading in used aircraft; and it

will be the more exposed when aircraft values start to fall - as they will one day.

### Gold Fields

It is not surprising that the stock market is thoroughly confused about the battle for Gold Fields. While Minorco has put its final bid on the table, the US legal system seams to have considerable difficulty arriging at a final decision. On arriving at a final decision. On Monday, the judge delivered a 45-page explanation on why the injunction barring Minorco from buying Gold Fields shares could not be lifted, and Gold could not be lifted, and Gold Flelds' shares plummeted. Now the judge has said he will have another think about it, and considering the unpredictable nature of US legal decision making, it would be no great surprise if he lifted the injunction.

timetable, it must be hoped that Gold Fields and Newmont will not produce another batch of reasons why next Monday's US court decision cannot be the final word on whether the hid can proceed. Recourse to the US legal system has helped raise the price Minorco is pre-

pared to pay for Gold Fields. But the longer Gold Fields per-sists in this sort of legal guer-rilla warfare the more it looks as if it is simply interested in frustrating the bid.

Minorco caunot raise its offer any more, and shareholders should be allowed to decide. If over 60 per cent of Gold Fields shareholders, say, Gold Fields shareholders, say, were to accept the Minorco offer, Gold Fields would be under considerable pressure to withdraw its legal action. However, the bid is reasonably finely balanced, and probably still hinges on the outcome of the New York court. The legal arrangements are beginning to go arguments are beginning to go arguments are beginning to go Minorco's way; and were it not for the cavaller way Anglo-American broke the rules in its 1980 dawn raid on Gold Fields, the US judge would probably have accepted Minorco's solution. Predicting the outcome of US legal cases is even more hazardous than forecasting UK interest rates, but US courts seldom block takeover bids. The problem this time is that the bid could easily fail because of the UK easily fail because of the UK

### Guinness/LVMH

So far this year, Guinness has outperformed the whole of the FT-SE apart from Racal and Rolls Royce, and with Bernard Arnault around to lead the fan club it should not lose its place in a hurry. Yester-day's news from Paris con-firmed that LVMH may or may not double its stake in Guin-ness to 24 per cent; but that has been true for so long that merely saying it out loud should have come as no great surprise.

None the less, the market was in no mood to dismiss the least sign of fidelity from across the Channel, and the shares rose nearly 4 per cent as a result. In the near term, Guinness will see its profits grow fastest in just those areas where it is working hand in hand with LVMH; so any sign that the handholding is going well must be good news for Guinness shares. There is still a chance that LVMH's domestic difficulties will sour things for the cross-Channel menage as well; but every evidence of firm leadership from Mr likely.
All of that will not put Guin-

ness on the kind of premium rating that LVMH enjoys in Paris overnight; but after more than three months of steady re-rating, Guinness has nearly made it to a market average p/ e - and none too soon either.

### Khashoggi arrested

Continued from Page 1

justice.
Mr Khashoggi and Mrs Marcos were among the most extravagant of the world's jetsetters. Mr Khashoggi liked boats and aircraft – and ice cream which he can consume in prodigious quantities. 

Travelling by air on business?

...GENEVA

with Air Canada, American Airlines, Crossair, British Airways, Finnair, Lufthansa El Al, Swissair, TWA

**WORLD WEATHER** 

# Last-ditch effort to save Minorco bid

Continued from Page 1

If his injunction stands, the anti-trust implications of a proposed takeover of Gold Fields would have to be settled by a full trial, which is unlikely to begin before September. This would be too late to save Minorco's bid.
Minorco is offering to put
the three stakes into a separate

company, to be run by a courtappointed trustee without interference from Minorco. until their sale – in no more than a year – to buyers not associated with Anglo and De

However, Judge Mukasey However, Judge Mukasey said: "The Anglo group's record in circumventing legal restrictions and engaging in anti-competitive behaviour is not reassuring." He cited the 1980 London "dawn raid" on Gold Fields as an example.

Mr Keith Irons, a Minorco vice president, said his company would see that the under-takings about the disposals were met since its own US assets, and those of Gold Fields' which it intends to retain, would be at risk. To his knowledge, this was the first time since 1977 that Anglo or De Beers had submitted itself to US legal jurisdiction on any

Judge Mukasey denied Gold Fields' motion to extend the injunction to cover alleged securities laws violations. Time is running out for Minorco's bid under the UK Takeover Code. Unless Minorco has received sufficient acceptances by 1pm next Wednesday to lift its interest from the present near 30 per cent stake to more than 50 per

cent, the bid is dead.

If this threshold is passed,
Minorco can declare the bid
unconditional as to acceptances and hope that the legal situation is resolved in its favour before May 17. If the latter condition is not met, the bid fails, regardless of how many shareholders have accepted Minorco's offer.

If an overwhelming proportion of shareholders accepts, there remains a slim possibil-ity that Gold Fields' board might bow to their wishes and withdraw its legal action. How-ever, Newmont is also a party to the case and could keep the suit alive. Gold Fields indicated yesterday that its three (of 10) directors on Newmont's board would abstain on such a

# Toyota invests in UK

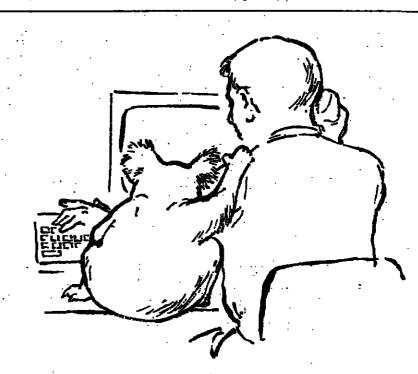
Continued from Page 1 down by France over its oppo-sition to allowing Nissan's UKbuilt Bluebird cars into France as European cars until they reach 80 per cent local content. Lord Young said the issue of free circulation was now closed. He said that 40 local authori-

rie said that 40 local author-ties had sought to win the proj-ect, while Mr Shoichiro Toy-oda, Toyota president, said invitations had been received "from practically all EC Mr Numata said that the

closeness of Burnaston to an

existing industrial area as well as its proximity to the automo-tive components industry in the Midlands had been serious

Richard Tomkins adds: Toyota's decision to locate the plant in Derbyshire was greeted in the county as a mas-sive vote of confidence in an area which has seen virtually no benefit either from inward investment to the UK or reloca tion from the Britain's prosper-



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# **FINANCIAL TIMES** COMPANIES & MARKETS



# INSIDE

### Citicorp rises above the melée



Citicorp, the biggest US bank group, reported very strong results for the first quarter, powered by the rapid growth of its retail banking business. The group's 48 per cent jump in earnings contrasted with a string of modest or disappointing results from several other major US banks. Page 29

Madrid wakes up to the cold The weather has turned chilly in Spain for the first time this year and the stock market has been shaken out of its sombre siumbers. The past three weeks have seen a rise of 6 per cent in the Madrid general index and turnover on some days has reached the \$130m (£76m) level. Peter Bruce explains why the boise has

suddenly found a spring to its step. Page 52



Live

it is doubtful if there is an arable larmer on Lincolnshire's heath land who is not worried that within a year or two he will be forced to cut back on the use of nitrogen ertiliser because of a proposal being writ-ten into the UK water

Bridget Bloom looks at this example of plans to fight water contamination caused by nitrate leaching. Page 40

Ramada rides into the sunset Ramada, the Arizona-based company, was once one of the best-known hoteliers in the US, now it is selling its chain of hotels for \$540m to a Hong Kong real-estate developer. The sale, to New World Development of Hong Kong, will leave Ramada only with its casino business in Nevada and New Jersey, reports James

### Buchan. Page 29 DIY route to profits growth



Ward White, the British DIY and car parts retail-ing group headed by Philip Birch (left), yester day reported a 17 per-cent increase in pre-tax profits. But despite the strong performance of the Halfords subsidiary where profits jumped
where profits jumped
where profits jumped
was limited to just 4 per cent
into about land basis, reflecting the convertinto about lands as a second convert-

tion of A.G. Stanley last summer. Page 34

### Market Statistics

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34. Wissoak Juliana's Holdings Chief price changes yesterday

| Full | Hear York prices at 12.50.

Wednesday April 19 1989

his businesses.

If there was a turning point, it was when Mr Bond launched his

assault on Lonrho last October. In Mr Rowland he met a rival determined to defend his corpo-rate fieldom. Lonrho tore into the

Bond accounts and published its findings in mid-November. Bond, it said, was actually carrying debts of A\$14bn and was techni-cally insolvent.

Within weeks four more

studies were published and their contradictory findings reflected

the near impenetrability of the

ever-changing Bond accounts. Two, by County NatWest Securi-

ties and Salomon Brothers,

offered a positive gloss, But Australian Ratings, the credit agency, downgraded Bond Corpo-

group, was also negative.

The Potter analysis, which was perhaps the most thorough, was less damning than Lourin on the key company, Bond Corporation.

estimating net shareholders'

funds at a positive A\$1.2bn for an asset backing of A\$2.85 a share -

price at which its shares have traded recently. On the other

hand, it calculated that the com-

pany would suffer a heavy opera-tional cash flow deficiency this

year of A\$359m, more if it paid a

In particular, it forecast an

overall operating profit before interest and tax of A\$605m and a servicing cost for the year of

A\$766m on a net debt of A\$7.2bn. Reliable judgments on the capacity of the whole Bond

# Is the writing on the wall for Alan Bond?

Chris Sherwell looks at the rapidly declining fortunes of Australia's brashest businessman

MERE six months ago,
Mr Alan Bond was riding
high. It was a year since
the October 1987 stock market
crash and Australia's branest
havingsman syidents

businessman, evidently unscathed, was still borrowing and buying big.

Now it is hard to find anyone ontimistic about this former signwriter's future. Bond Corporation, the master company in his diverse empire, is under intense financial pressure. His chances of extricating himself from trouble are worsening. And his business

sense is being seriously ques-The failure this week to attract any bids in an auction of a 20.4 per cent stake in Lourho, the UK-based international conglomerate, compounds Mr Bond's problems. The stake was built up as a platform for the Australian's boldest international move - a possible £1bn-plus takeover of Conrho, headed by the combative Mr "Tiny" Rowland. But the mis-erable response to the auction has left him nursing a paper loss of more than £60m (\$102m) and sizeable associated holding

Vigorous efforts to extricate himself from Lonrho are being made but these look certain to involve some loss of face.

At worst, some analysts foresee the collapse of the Bond empire, especially if there is an economic cession. In that event, no one doubts that the reverberations would spread beyond the many banks which have lent to him, and beyond his shareholders and

More sanguine analysts say only that the group's rapid expansion of the past is at an end, that it will shrink in size before its position improves. All assessments stand in sharp contrast to those of two years ago, when Mr Bond seemed unstoppable. Apart from numerous smaller acquisitions, in 1987 he bought the Helleman brewing group in the US for US\$1.3bn, St. Joe Gold, also in the US; for US\$1.3bn, St. Joe Gold, also in the US; for US\$1.3bn, St. Joe Gold, also in the US; for US\$1.3bn, St. Joe Gold, also in the US; for US\$1.3bn, St. Joe Gold, also in the US; for US\$1.3bn, St. Joe Gold, also in the US; for US\$1.3bn, St. Joe Gold, also in the US; for US\$1.3bn, St. Joe Gold, also in the US; for US\$1.3bn, St. Joe Gold, also in the US; for US\$1.3bn, St. Joe Gold, also in the US; for US\$1.3bn, St. Joe Gold, also in the US; for US\$1.3bn, St. Joe Gold, also in the US; for US\$1.3bn, St. Joe Gold, also in the US; for US\$1.3bn, St. Joe Gold, also in the US; for US\$1.3bn, St. Joe Gold, also in the US; for US\$1.3bn, St. Joe Gold, also in the US for US\$1.3bn, St. Joe Gold, also in the US for US\$1.3bn, St. Joe Gold, also in the US for US\$1.3bn, St. Joe Gold, also in the US for US\$1.3bn, St. Joe Gold, also in the US for US\$1.3bn, St. Joe Gold, also in the US for US\$1.3bn, St. Joe Gold, also in the US for US\$1.3bn, St. Joe Gold, also in the US for US\$1.3bn, St. Joe Gold, also in the US for US\$1.3bn, St. Joe Gold, also in the US for US\$1.3bn, St. Joe Gold, also in the US\$1.3bn, St. Joe Gold, a

US\$50km and Mr Kerry Packer's Australian television and radio in 1988, he continued as if the crash had changed nothing. He spent A\$680m buying the Bell stable of companies from Mr Rob-ert Holmes à Court. He bought into Chile's telephone monopoly and a petrochemical plant in Western Australia. He invested in two big UK companies, Allied Lyons and Lourho, and acquired important properties in Sydney, London and New York. He pushed ahead with Australia's first private university and bid

US\$49m to secure Van Gogh's Those who asked how he did it. received many explanations. Mr Bond, it was said, was good at persuading people to lend to him, was prepared to borrow more than most mortals and would take risks no one else could accept. He had cleverly snatched business opportuni-ties in the media, in resources, in property and in the share market, using his recession-resistant, cash-generating brewing

operation to help fund them.
Against this, people knew that he had never really built a business from the ground up, that he was heavily

geared and that top price for his acquisitions. Investors quickly discovered he hit them with too many demands for money and found his empire too complex to understand, especially if one included Dallhold, Mr. Bond's

family company.

With the crash, it was other, more vulnerable entrepreneurs, like Mr Holmes à Court, who ran into trouble first. Mr Bond's prospects\_still looked positive. There was a continuing surge in eco-nomic growth at home and abroad, and last August Bond announced profits far in excess of

anyone's predictions. Since then, however, almost everything has contributed to souring any positive sentiment

### Asset sales

For a start, the planned restruct-uring of his empire in the wake of the Bell acquisitions was aban-doned. Then it was confirmed that the group's debts had swel-len to at least ASE.5m, making a massive programme of speedy asset sales necessary to meet interest payments.

At the same time an Australian Broadcasting Tribunal inquiry and proper person to hold broad-casting icences began turning up increasingly damning evidence

against him.
Separately, Mr Bond became more deeply involved in the troubles of the Western Australian government and of his friend, Mr Laurie Connell, the former head of the collapsed Rothwells finance house. Speculation intensified about the attitude of Australian and British regulatory authorities towards Mr Bond and

empire to service its debt are because of the difficulty of con-solidation, especially given that some borrowings are non-re-course and some businesses are quite distinct. Yet it is obvious that Mr Bond can, if he chooses, exercise singular control - as when he took over a debt payment due to Rothwells and

loaded it into Bond Media.

Indeed, part of his problem is that he is too mercurial, and his empire too unpredictable, for investors to disentangle the Woes deepen

finances. One result is that, even though the asset sales pro-gramme has gone ahead rapidly ration paper two notches to B, and a fourth study by Potter Partners; part of the Warburg and the group has said it plans no major acquisitions this half, its woes seem relentlessly to

Last month, an Australian television documentary accused Bond Corporation of manipulat-ing its accounts in order to period immediately after the crash. Much is also being made of the fact that the group pays little or no corporate tax in Australia. Meanwhile, the brewing operation is said to be experiencing difficulty with its Heileman acquisition in the US and having trouble holding its beer market share in Queensland and New South Wales.

Separately, the group has failed in its attempt to take its Hong Kong property and invest-

ment operation off the stock mar-Most significant of all for Mr Bond's reputation, the Broadcasting Tribunal has found that Mr Bond made an "improper" payment in 1986 to Sir Joh Bjelke-Pe tersen, the former Queensland premier, and deliberately misled its inquiry regarding the A\$400,000 he paid to end a defa-mation case. The tribunal is considering whether to revoke Mr Bond's licences. A fire sale of his media assets would blow a hole in the group's balance sheet.

It is a moot question how much latitude the group now has to manoeuvre. Disposals at acceptable prices have already become more difficult to make. New loans are more costly to raise. And fresh equity does not make sense at current share prices. To say Mr Bond's bankers are now running the business is going too far. But further expansion seems

problematic.
This may be a virtue. What is international financial community is watching Mr Bond anxiously. Even his harshest critics acknowledge that he is a dynamic force whose failure would set back Australian entrepreneurs and hurt most of the country's corporate borrowers. People agree that he has some good businesses — in brewing, properties, media and resources. The challenge he faces is to make them all work at an extraordinarily difficult time.

# Bid battle breaks out over

Gateway

By Nikki Tait in London A BID BATTLE worth £1.73bn (\$2.9bn) broke out vesterday over Gateway, Britain's third largest food retailer, as an institution backed consortium announced a leveraged offer which involves taking part of the troubled group

private and disposing of other subsidiaries. Under the terms of the offer the bidding group - represented by a newly-formed company called Isosceles - plans to sell 70 to 80 Gateway superstores, its

US sporting goods retailer Her-man's, and possibly its UK Medi-This would leave the Wellworth chain plus about 730 Gate-

way supermarkets, within Isos-celes. The aim is to refloat Isosceles within three to five The offer was immediately dismissed by Mr Alec Monk, Gate-way chairman, as "opportunistic, financially-engineered". It came

at a time when Gateway was "making significant advances", Asda, which currently ranks fifth among the UK supermarket groups, is already lined up as a buyer for 62 of the superstores It has agreed to pay £705m in cash for the stores and a distribution centre which is under construction at Huntingdon. In

stock relating to the properties and two properties under devel-It is planned to fund the deal, conditional on clearance by the Office of Fair Trading, through additional bank borrowings. Gateway profits in the year to end-April 1988 were down from £192m to £186m. Analysts' fore-

addition, it has agreed to buy the

£192m to £186m. Analysts' fore-casts for the current year sug-gest only £190m-£197m.

The offer is pitched at 195p in cash, with a loan alternative.

The latter can be taken as an ordinary redeemable loan note, or in a form where it can be converted into shares in Isosce-les when the company comes back to the stock market. back to the stock market.

To fund the deal, Isosceles has

arranged £200m of equity finance from MAM, Globe, 3i, which combines features of both debt and equity — is coming from GE Capital, Standard Char-tered, and 3i. A further £1.15bn of senior debt has been arranged by Warburg and is syndicated among Chemical Bank, Midland, Bank of Scotland, CIBC, Sumi-tomo Bank, Industrial Bank of Japan, and Bank of Nova Scotia. Last night, Gateway's share price was up 3½p at 187½p. Lex, Page 26

# Dow and Lilly in pesticides link

By James Buchan in New York

DOW CHEMICAL and Eli Lilly of the US are combining their agri-cultural chemicals businesses into a new company that will rank fifth in the world market for herbicides and pest control chem-

The deal, which was announced yesterday, is the latest step in a consolidation of the worldwide agricultural chemicals industry in the face of slower maistry in the face of slower growth and rising research and product-development costs.

In recent years, both ICI of the UK and Rhône-Poulenc of France have made important acquisitions to gain economies of scale in farm chemicals.

The new company, which will

in farm chemicals.

The new company, which will have sales of about \$1.5bm in its first year of operation, will rank behind Bayer and Ciba-Geigy, the world leaders, and ICI and Rhône-Poulenc.

The company will be called Dow Elanco and based in or near 1.18v's home town of Indiana.

Lilly's home town of Indiana-polis. It will consist of both com-penies' plant science operations and Dow's industrial pest control business, but exclude Lilly's ani-mal health operation.



Frank Popoff: products in focus

Dow will own 80 per cent of the company because of the larger proportion of assets it is contributing. Mr John Hagaman, president of Dow's agricultural products business, will head it.

Wall Street reacted warmly to news of the deal. "It's a good marriage in terms of products, markets and canabilities." said markets and capabilities," said Mr Anantha Raman, a chemicals industry analyst who runs his

own brokerage firm. Analysts point out that Dow is strong in insecticides, while Lilly has a good fungicide division, and their herbicide businesses are directed at different crops. Mr Frank Popoff, chief executive of Dow, said: The products of the two companies are highly complementary. Geographically, the business is evenly split between North America and the rest of the world. In the US, Elanco has focused its products for use within soybeans and cot-ton, while Dow has focused its products on corn and non-crop

uses." Like the world pharmaceuticals industry, makers of agricul-tural chemicals have sought mergers to reduce development

and marketing costs.

In 1986, Rhone-Poulenc bought
Union Carbide's agro-chemicals
business for \$575m, while ICI
bought Stauffer's business for \$300m a year later.

Earlier this week, Eli Lilly reported record first-quarter net

income of \$284.7m, an increase of 22 per cent on 1988 levels. Sales rose 14 per cent to \$1.23bn.

# Sabena discusses ties with BA

By Lynton McLain in London

BRITISH AIRWAYS and Sabena, the Belgian national airline, are negotiating a possible partner-ship, which could be based on a reciprocal exchange of shares. Sabena has been searching for a partner for at least the past

three years.

R has had abortive talks with
Swissair, Scandinavian Airlines
System, Trans World-Airways;
American Airlines, Luxiar, Air
France, Lufthansa and KIM.
British Airways said yesterday that it was sticking to its policy of not commenting on mergers and acquisitions, but it is known that talks have been taking place between the two zirlines for some

time. BA has been considering a continental partner for a while. No comment was available from Sabena last night.

The prospective partnership could be based on a reciprocal

share swap and mutual access to

tion of the single European market in 1992 and completion of the Channel tunnel in 1993. Sir Colin Marshall, BA chief

executive, has said that the next stage in the development of the sirline might be the development of a hub base at a continental airport, possibly in partnership with another airline.

BA already has links with the continent. It has hub bases for its air freight operations at Lyons, France, and Maastricht, the Netherlands, which handle road freight from the continent for onward transit to BA's main cargo base at Heathrow Airport, London.

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# **BNP** recovers from post-crash fall

By George Graham in Paris

BANQUE NATIONALE de Paris (BNP), the largest French state-owned bank, has reported an 8 per cent increase in group net profits to FFr3.06bn (\$486.87m) for 1988, just topping its private sector rival, Société Générale and comfortably beating the other leading state bank, Crédit Lyonnais. Mr René Thomas, BNP's chairman, said 1988 had been a

turning point for the bank after the downturn in profits in 1987, and he was satisfied with the result.

"We did not sell any buildrotal group lending increased by 25 per cent to FFr587bn, while in the domestic market corporate loan activity rose by 9 per cent and consumer lending by 31 per

Interest income rose by 8 per

Solvay to

by 11%

BFr253.5bn.

lift payout

By Our Financial Staff

SOLVAY, the Belgian

chemicals group, plans to raise its net dividend by 11 per cent

as a result of last year's strong

profits performance.

Group profits, which were

first announced in February, rose by 24 per cent to BFr15.1bn (\$226.6m) for 1988 following an increase of 18 per cent in turnover to

Solvay is to step up its divi-dend, net of withholding tax,

to BFr410 per share from BFr370 in 1987. Taking a bonus share issue into account

extends the increase to 16 per

cent to FFr18.7bn, with the increase in volumes compensating for the reduction in lending margins to an average of 4.4 percentage points, from 4.8 per cent the previous year.
Commission and fee income, however, fell by 7 per cent to FFr4.5hn, with general banking commissions rising by 11 per cent to FFr3.35hn but financial market commissions drawing

market commissions dropping steeply by 37 per cent to FFr1.16bn, as the huge volume of stock market orders stemming from the French privatisation programme disappeared.

Mr Thomas said that BNP's workforce had been cut by 2 per cent and its total wage bill had risen by only 2.2 per cent

in 1988.
In the last five years, he said, the number of administrative staff in the bank had been trimmed from 30,000 to 25,000, and he planned for the same sort of reduction over the next

few years to continue to improve productivity.
Total new provisions fell by
8 per cent to FFT4.41hn after a substantial clawback of provisions made on the bank's securities portfolio following the

Bad debt provisions, however, were increased by 43 per cent to FFr5.093bn, with a 47 per cent increase in provisions for sovereign debts to Mr Thomas said BNP's stock

of sovereign risk provisions totalled FFr22bn and covered 52 per cent of its exposure in 70 risk countries. The group's provisions include some FFr600m set aside to cover the risks of Banque Internationale pour l'Afrique Occidentale (BIAO), the troubled African banking

group in which BNP is to take 51 per cent control. Mr Thomas said it was nec-

essary to take BIAO's sover-eign debt provisions up from around 15 per cent of its expo-sure to 40 per cent, adding that BIAO's shareholders, which also include Union de Banque Suisse and Banco do Brasil, would probably have to take would probably have to take over the bank's bad debt portfolio, as shareholders led by the Credit Lyonnais have recently done with UBAF, the Franco-Arab bank.

BNP fared better than its main French competitors on the London securities market. its main London arm, BNP Capital Markets, lost around FFr4m, while BNP Securities, the equities operation formerly known as Ark Securities, lost a little under FFr10m.

Société Générale lost around FFr50m on its London securities operations, while Crédit Lyonnais lost FFr603m through its Alexanders Laing and Cruickshank subsidiary.

# Carrefour overcomes US costs

By George Graham

CARREFOUR, the leading French supermarket group, has confirmed a 20 per cent increase in net profits last year to FFr911m (\$145m), despite heavy costs on its fledgling US

operations.

Group sales rose by 15 per cent to FFr64.8bn, with pre-tax operating profits up by the same proportion to FFr1.56bn. In France, where Carrefour has 71 supermarkets, with one more due to open this year and three in 1990, sales rose 9 per cent to FFr46.6bn, and operating profits climbed 37 per cent

Mr Michel Bon, group man-aging director, sald Carrefour's new supermarket at Philadelphia in the US had cost \$5m before it opened in February last year, then only achieving 70 to 75 per cent of the group's

cent. Solvay said that its consolidated results took account of extraordinary items represent-ing a net charge of BFr5bn, compared with a charge of Sulzer takes stake in medical company Solvay said in a statement that the improvement in its results was due to the strong performance in its alkalis, plastics and health divisions. SULZER Brothers, the Swiss engineering group, has acquired a controlling interest in Protek, writes Our Financial

The performance of the per-The acquired company, with annual sales of around SFr120m (\$73m), is claimed to be Europe's biggest distributor oxygen side was flat while results in the processing sector suffered from a price increase of hip and knee implants.

operating losses of \$9m.
"We estimate this is a reasonable cost for penetrating the US market," Mr Bon said. However, he added that severe measures had been taken to control staff and stock levels and to clarify the management

of the store. At the same time, Carrefour had to make a \$15m provision following the decision of the municipality to reclassify the site it had bought at Brookhaven, on Long Island, as non-commercial, thereby reducing its value by 75 per cent.

Losses on the US operations thus totalled FFr172m, though this was reduced to FFr130m.

> by the clawback of earlier provisions which were no longer

> this was reduced to FFr130m

sales forecasts, resulting in has fallen behind with its operating losses of \$3m. has fallen behind with its expansion plans but hopes to have 27 stores by the end of the year, reported operating profits up 7 per cent in local currency terms to FFr302m, on sales up 25 per cent to FFr10.1bn.

Carrefour held its ground in Brazil, where it is the coun-try's second largest retailer, with operating profits up 19 per cent in terms of dellated local currency to FFr185m, on sales up 3 per cent to FFr5.5bm. Profits fell by three quarters in Argentina to FFr7m.

Erteco, the group's discount food retailing operation under the Ed sign in France and the AD sign in Spain, turned in an operating loss of FFr3m despite a 14.5 per cent increase in sales necessary. to FFr1.4hn. It is expected to Spain, where the Pryca chain return to profit this year.

# Vallourec back in black

VALLOUREC, the French steel tubes producer, yesterday turned in the widely expected profit recovery which last year helped push its shares to the top of the Paris bourse perfor-

mance league, Our Financial Staff writes. The company, whose share-holders include its employees and Usinor, the state steel group, has achieved an operating profit of FFr293m (\$46.7m) before tax for 1988. This compares with a loss of FFr549m

the year before. Vallourec said the recovery had been aided by an exceptional gain of FFr419m arising from a property disposal.

capital.

### Austrian Airlines to increase dividend

By Judy Dempsey

AUSTRIAN AIRLINES, which is about to launch a further issue of shares, plans to pay an increased dividend for 1988. The announcement was made yesterday by Mr Anton Heschgl, chairman, who also unveiled the company's results

for 1988.

The dividend is going up from 6.5 per cent to 7 per cent while the nominal share capital, which at present totals Sch1.8bn (\$137.7m), will be increased to Sch2.2bn.

From next Monday, 400,000 shares will be made available to the public at Sch2,150 each. The issue will reduce the gov-ernment's shareholding in Austrian Airlines to 61.4 per

cent. Unlike the tranche of airline shares issued by the government last June, which went towards reducing the budget deficit, the company will this time retain the cash proceeds which will be earmarked for capital investment.

In addition, Swiss Air, which last year bought a 3 per cent stake in Austrian Airlines, will increase its holding to 8 per cent while All Nippon Airways of Japan is expected to increase its current stake of 3.5 per cent by about 2 per

cent The 1988 financial performance shows an increase in profits after tax from Sch102.5m to Sch121.1m. The number of passengers carried improved by 2.3 per cent to

Neste wins go-ahead for funding talks

NESTE, THE Finnish state-controlled oil company, has won authorisation to start discussions about funding and ways of seeking new capital with the government, Reuter

reports.
The Finnish budget for 1989 includes a FMk100m (\$24m) rise in Neste's share

But the group says the amount of new funds falls short of Neste's needs and allowing for dividends paid to the state too expensive.

# Matra profits expected to leap to over FFr330m

MATRA, THE French defence and electronics group, is expec-ted to announce tomorrow sharply higher profits of more than FFr330m (\$52.5m) for 1988. than FFr330m (\$52.5m) for 1988. It made an after tax profit of FFr230m the year before. Mr Jean Luc Lagardere, the chairman who yesterday disclosed that 1988 turnover rose from FFr17.2bn to FFr19.3bn, confirmed that he was actively pursuing talks with both Daimler-Benz, of West Germany, and General Electric Company (GEC) of the UK.

Both set of negotalations

Both set of negotalations were aimed at forging closer shareholding links between the three European groups in their respective defence and space

GEC and Daimler-Benz already own a 5 per cent stake each in Matra. But Mr Lagar-dere is now seeking to strengthen these ties by negoti-ating additional cross-shareholdings between the three companies in their respective defence and space subsidiaries. He said Matra was planning to co-operate with MBB which is to be absorbed by Daimler-

Benz, in the development of a

new reconnaissance missile



Jean Luc Lagardere: in talks with Daimler and GEC

The French and German governments are expected to give the official go-shead to the joint missile project at this week's Franco-German summit in Paris. Matra officials suggested yesterday that the new Franco-German missile project could eventually be extended to GEC-Marconi. The stong rise in Matra's profits concides with a sharp

upture at Hachetta, the publishing group controlled by Mr Lagardera. Hachette made a profit of FFr322m on sales of FFr 24.4bn — up from FFr251m on sales of FFr17.2bn in 1987. Officials said that the Matra group's industrial investments rose to FFr1.35bn last year from FM:10n in 1987. Research

and development spending rose to FFr24bn from FFr 22bn. to FFr24bn from FFr 22bn.

Defence and space division turnover totalled FFr7.8bn while the telecommunications and data processing division had sales of FFr5.67bn. Matra decided last February to withdraw from the personal computer business because these operations were losing "too much money," Mr Philippe Camus, Matra's financial director, said.

The cert and transport division

The car and transport divi-sion reported sales of FFr6.2bn. Maira currently produces, in co-operation with Renault, the Espace van, which has turned Maira's car side into a profit-able business during the last few years.

Matra and Renault recently agreed to extend their co-operation until the end of 1993,

Smidth bounces

# Schindler advances 30% as new order book surges

By Our Financial Staff

SCHINDLER, the Swiss lifts group, reports a strong increase in its profits for 1988 and plans to step up its divi-

Group profits rose by 30 per cent to SF185.1m (\$52m) for last year on turnover 22 per cent higher at SF12.2bn. New orders jumped by 25 per cent to SFr2.46bn.

The company plans to increase its dividends from SFr80 to SFr90 per bearer share and from SFr16 to SFr18 per

DEUTSCHE BABCOCK, the

West German engineering group, said group incoming orders in the six mouths ended

March, 1989 had risen by 2.2 per cent DM2.6bn (\$1.4m), Reu-ter reports.

registered share and participa-

tion certificate.
Schindler's parent company net earnings rose from SFr29.38m to SFr84.99m, but this is attributed primarily to the repatriation of liquid assets from various European subsid-

iaries.

The company explains that actual operational profits of Schindler Holding, the profit line against which dividends are based, rose during the year from SFr22.6m to SFr29.4bn.

Mr Helmut Wiehn, the man-

aging board chairman, told the

annual shareholder meeting

that there were enough orders in a number of important sec-

tors to last well into next financial year.

back after acquisitions By Hilary Barnes

in Copenhagen

SMIDTH, THE Danish supplier of cement mills and associated technology, reports a strong profits recovery for 1988 and is to pay a higher dividend.

Group profits before extraordinary items and tax increased from DKr71m (\$9.8m) to DKr308m and net profits bounced from DKr71m to DKr181m. The dividend is going up from 8 per cent to 10 per cent. Smidth increased turnover by 13 per cent to DKr8.06bn with something like ane-third of the increase resulting from acquisitions.

The group underwent a big reorganisation at the end of 1987 which, the company said, contributed to last year's improved profit performance along with a better year for building materials generally.

This advertisement, which has been issued by Morgan Grenfell on behalf of Minorco, has been approved by a duly authorised committee of the Board of Minorco. The Directors of Minorco are the persons reponsible for the information contained in this advertisement. To the best of the knowledge and belief of the Directors of Minorco (who have taken all reasonable care to ensure that such is the case) the information contained herein is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors of Minorco accept responsibility accordingly.

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\*Minorco has reserved the right to increase its offer or extend the closing date in the unlikely event of a competitive situation.
If the Increased Offer becomes or is declared unconditional as to acceptances on 26th April, 1989 it must remain open for acceptance for at least a further fourteen days.

(a) The value of the Increased Offer is based on the market price of one Minorco share of 713p based on the middle arket quotation, as derived from The Stock Exchange TOPIC service at 3.00p.m. on 18th April, 1989.

(b) The market price of a Gold Fields share of 1289p is based on the middle market quotation, as derived from The Stock Exchange TOPIC service at 3.00p.m. on

Copies of the Form of Acceptance may be obtained from National Westminster Bank PLC, New Issues Department, PO Box 33, 153-157 Commercial Road, London El 2DB (telephone 01-791 0011). Gold Fields shareholders who are in any doubt as to how to fill in the Forms of Acceptance should contact National Westminster Bank PLC, New Issues Department on 01-791 0011.

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### INTERNATIONAL COMPANIES AND FINANCE

# Hong Kong group pays \$540m for Ramada hotels

By James Buchan in New York

RAMADA, the Arizons-based company which was once one of the best-known hoteliers in the US, is selling its chain of hotels for \$540m to a Hong best desplayer. Kong real-estate developer.

The sale, to New World
Development of Hong Kong,
will leave Ramada only with its casino business in Nevada

The deal, announced yesterday, involves more than 825 hotels worldwide under the names Ramada Inns, Ramada Hotels, Renaissance Hotels and

The chain, which began with a single Arizona hotel in 1954 and sold its first tranchise five years later, has been bedevilled

with problems of quality and relations with franchisees for

As part of the transaction, Prime Motor Inns, a rival chain which is expanding aggressively, will operate 600 of the Ramada hotels for New World. Mr. Henry Cheng, managing director of New World, said his company would develop company would develop Ramada into "an even stronger force in the hospitality indus-

try."

The sale of the chain is the final step in a bold strategy by Mr Richard Snell, Ramada's chief executive, to abandon its shopworn hotel and restaurant business to concentrate on its

New Jersey and Las Vegas, Reno and Laguhlin, Nevada.
These casinos lost about \$19m in the first quarter of this year on revenues of about \$124m, but Mr Snell that the results reflected unusually low

house profits at the casinos.

As part of yesterday's deal,
Ramada will use the proceeds
to pay shareholders \$7 a share
or about \$280m in cash, while leaving them with stock in the new casino company, which

will have a new name.

Mr Snell devised the plan in response to an offer of \$10 a share, or just under \$400m, for the whole company last year from the Pritzker family of

> sales increased by approximately 15 per cent to \$2.24hn from \$1.95bn. Metal shipments - at 557,000 tonnes - were on a par with last year's levels, but the Montreal-based group sold

Strong

demand

by 54%

lifts Alcan

By David Owen in Toronto

ALCAN, the world's largest

aluminium producer, reported a sharp improvement in first-

quarter earnings, spurred by continuing solid demand for

virtually all its products.
Only in Europe was net income not well in excess of last year's levels. This was

because of downward pressure on fabricating margins as a result of the higher cost of

In all, net income rose by

or \$1.74 a share, from \$175m or \$1.05 a share in 1988.

The figure for the latest period includes a gain of \$30m related to a reduction of the company's crake in Japan's

company's stake in Japan's Nippon Light Metal Quarterly

almost 54 per cent to US\$26

purchased metal.

a higher proportion of its out-put in fabricated form. Realisations on fabricated product sales accordingly rose by 8 per cent from 1988 levels while realisations on ingot

sales climbed 27 per cent. Inventory tonnage at the end of the first quarter was up from three months ago partly due to the acquisitions of Jarl Extrusions in the US and Hunter Douglas Canada.

According to Mr David Cul-ver, chairman and chief executive, 1989 should be another good year for the group.

# Retail banking boosts Citicorp

CITICORP, the biggest US bank group, reported very strong results for the first quarter, powered by the rapid growth of its retail banking business. The 48 per cent jump in Citicorp's earnings con-trasted with a string of modest or disappointing results from several other major US bank

Although a major part of Citicorp's advance was due to a one-off gain on the sale of real estate in Tokyo and there was some benefit from the inclu-sion of Brazilian interest payments, the company's underlying profits also showed solid growth in the quarter.

Net income in the latest quarter totalled \$529m or \$1.52 a share, compared with \$358m or \$1.01 a year earlier. There were strong improvements in both the retail and wholesale sectors, with Individual Bank income up by 26 per cent to

\$214m and Institutional/Investment Bank income 16 per cent higher at \$260m. A \$77m net gain from the sale of property in Tokyo brought unallocated corporate items to a positive \$91m, against a negative \$9m in the first quarter of 1988.

Excluding these corporate items, net income was up by \$71m or 19 per cent to \$438m. About half of this advance was due to uneven flows of interest

due to uneven flows of interest from Latin America. In the latest quarter, Citicorp included \$66m of cash interest payments from Brazil, while it recognised no such payments a year ago. Partly offsetting this benefit was the exclusion of interest payments from Argentina this time. Last year Citicorp recorded \$20m from Argentina. Citicorp's net\_interest reve-

nues were up 7 per cent or \$116m at \$1.835bn. The gain was due both to higher con-sumer loan volumes and

increases in wholesale business, as well as the Brazilian ness, as wen as the Brazman payments. Fees and commis-sions were up \$132m or 14 per cent to \$1.045bn, with a 19 per cent gain in the consumer business and an 11 per cent advance in wholesale banking.

Within the consumer sector, the credit card business was particularly strong. Securities trading revenues were down \$15m or 13 per cent to \$98m, while foreign exvchange was \$57m or 34 per cent weaker at \$109m. Total expenses increased by five per cent to \$2,24bn

Uniquely of the US banks, Citicorp also provided a geo-graphical breakdown of its worldwide wholesale banking operations. This showed that all of the earnings gain outside the retail sector came from developing countries. Wholesale earnings from the OECD countries were \$187m in the

latest quarter, compared with \$195m a year earlier. In the developing countries, these profits were 23 per cent up at

The bank also recorded \$20m less in losses from its Third World refinancing portfolio than it had a year earlier. Citi-corp's total outstandings in the refinancing LDC countries was further reduced to \$9.3bn from \$9.5bn at the beginning of the quarter. These loans stood at \$13.0bn at the end of the first quarter of 1988.

 Bankers Trust reported a 30 per cent advance in net income to \$164.3m or \$2.02 a share. This compared with \$126m or \$1.61 a year ago. Revenue from trading activities jumped threefold to \$154.5m from an unusually depressed level in the first quarter of 1968, when BT took some special charges in its foreign exchange

# AMD holds talks with Sony

By Louise Kehoe in New York

ADVANCED Micro Devices. the US semiconductor manufacturer, is in talks with Sony of Japan about possible collaboration in memory chip manu-

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facturing.

AMD aims to expand upon an earlier technology exchange agreement between the two companies to make use of a plant in San Antonio, Texas, which it was forced to shut

down earlier this year.

In 1987, AMD and Sony announced a three-year joint venture to develop advanced static random access memory (Sram) chips. The companies

represented the "first of several ventures the companies are planning to pursue

Yesterday, however, AMD said it was now involved in "wide ranging discussions" with Sony "to explore various means of using excess manufacturing capacity." An AMD oficial said: "There are a number of ways that a co-operative agreement could take place."
For AMD, a manufacturing

agreement with Sony, under which the company might be expected to agree to fabricate

Sram chips on Sony's behalf, represents an opportunity to generate revenues at its moth-balled San Antonio plant, and perhaps to put some of the 2,400 workers that it laid off last year back to work.

Alternatively, AMD might agree to sell its plant to Sony. For Sony, the opportunity to

manufacture memory chips in the US represents a breakthrough in the US semiconductor market in a way that is unlikely to cause increased trade tension between the US

# MCI Communications sprints ahead

By Roderick Oram in New York

MCI COMMUNICATIONS, the second largest US long distance telecommunications carrier, has reported another leap in profits thanks to growing calling volume on its network. Net profits for the first quar-ter ended March 31 more than doubled to \$128m or 55 cents a share from \$58m or 20 cents a year earlier. Revenues rose by 33 per cent to \$1.5bn from

Traffic grew by 8.6 per cent in the quarter with much of the additional revenues flowing straight through to profits as MCI used up more of its spare network capacity. Operating income rose to \$226m from \$100m. Prices fell roughly 3 per cent during the quarter. The latest profit figures included an \$18m pre-tax gain from an anti-trust settlement and an after-tax \$10m charge for early retirement of debt.

The previous year's profits were boosted by a \$28m anti-trust pre-tax gain.

MCI is looking for a similar rate of growth this year, reflecting in part its recent expansion into a full line of operator services and the public payphone market.

"MCI this year intends to pursue aggressively the same levels of market share improvement which drove the company's results during 1988," Mr Bert Roberts, president, said.

Improved telephone operations also underpinned growth in first quarter earnings at GTE, the largest tele-communications system – both local and long distance outside the Bell system. Net profits for the three

months ended March 31 rose to \$329m or 97 cents a share, from \$286m or 84 cents a year ear-

lier. Revenues edged ahead to \$4.1bn from \$3.9bn.

Its telecommunications business benefited from higher traffic and more lines in service. In addition, US Sprint, the long distance network in which it has a 19.9 per cent stake, was no longer generat ing losses. GTE also turned in a better

communications equipment. But sales of electrical components fell, reflecting the sale of certain operations and adverse foreign exchange trends in Europe and Latin America.

# Apple's profits dip 29%

By Karen Zagor in New York

APPLE Computer, the US personal computer maker, suffered a sharp decline in second-quarter income and earn-ings per share despite a substantial rise in sales.

Net earnings for the quarter fell 29 per cent to \$56.4m from \$79.7m the previous year while earnings per share fell to 44

cost of dynamic random access memory chips. "We believe the problem of excess high-priced I megabyte Dram is now substantially behind us. We look forward to improvement in gross margins in the coming

The second-quarter earnings were at the top end of the 35 cents to 45 cents a share range the company forecast in late January when it announced it would have its first drop in profits in nearly three years. The setback was caused by its decision to stockpile Drams

eased markedly. Wall Street responded posi-tively to the results, pushing up Apple's share price by \$1 to \$4014 by early afternoon. At the six-month stage, net income amounted to \$196.8m or \$1.54 a share, compared with \$201m or \$1.53 a year earlier on revenues ahead at \$2.65bn from \$1.91bn. Operating income for

the period rose to \$312.8m from

### 25% in opening quarter MERCK and Warner-Lambert, sales would have increased 14 two large US drug companies, per cent for the quarter, in line

Merck raises net income

yesterday reported increases in profits of more than 20 per cent in the first quarter and confirmed Wall Street's confidence in their new products.

Merck, the world's largest

drug company and the heaviest investor in pharmaceuticals research, said its net income in the first quarter to March rose 25 per cent to \$340.4m or 86 cents a share. Sales revenues cents from 61 cents. But sales a snare. Sales revenues cents from 61 cents as the sales advanced 9 per cent \$1.57bn the sales growth is pedesfrom \$667.2m.

The sales growth is pedesfrom \$667.2m.

The New Jersey company, and chief effectives, said the which has enjoyed spectacular profits fall was due to the high success with such new products as Mevacor, the anti-cho-

lesterol treatment, and Vasotec, the high-blood pressure drug.

But sales were reduced by the disposal of Merck's interest in a Japanese affiliate and the translation of overseas sales

revenues at a higher dollar

with the annual growth in the

December quarter.
Dr Roy Vagelos, the company's chairman, said: "Income growth for the quarter resulted from strong unit volume gains, a better product mix, the continuation of cost controls and productivity improvements." Other drugs doing well were Primaxin, a broad-spectrum antibiotic, and Pencid, an antinicer drug. Warner-Lambert, also based

in New Jersey, said its net income rose 21 per cent to Warner-Lambert said all its businesses and geographic areas enjoyed sales increases Prescription drug sales rose 14 per cent to \$327m, thanks to the success of its Lopid anticholesterol agent.
Over-the-counter drug sales
rose 8 per cent to \$340m, and
confectionery side was up 9 per
cent at \$250m cent at \$230m.

# exchange rate. Without these distortions,

UNITED Technologies, the US high technology group which takes in Pratt & Whitney alr-craft engines, edged ahead in

was \$123.7m or 95 cents a share, against \$122.2m or 94 cents last time on revenues aboad at \$4.5bn from \$4.3bn. However, the 1988 first quar-ter included a pre-tax gain of \$156m from the sale of its

Essex and leasing subsidiaries, less restructuring charges.

"Our first-quarter financial results were on plan and we remain focused on achieving sustained annual earnings improvement," said Mr Robert Daniell, chairman and chief

# United Tech edges ahead

from Essex and the impact of unusual gains from the sale of The year-ago quarter also

### because supply of the chips was very tight worldwide. Sup-plies and prices subsequently

the first quarter, AP-DJ reports. Net income for the period

Essex wire and cable unit and the leasing business of UT Credit, and \$21m pre-tax profit

includes a pre-tax restructur-ing charge of \$148.8m. Backlog was a record \$18.2bn at March 31, against \$15.9hn a year earlier.

# Honeywell shrugs off sales slip

equipment group, yesterday unveiled an increase in firstquarter earnings despite a drop sale of assets.
in overall sales. Mr James Renier, chairman

in overall sales.

For the period to April 2, net profits rose 9 per cent to \$62.9m, from \$57.7m a year ago while carnings per share increased 7.4 per cent to \$1.45 from \$1.36. Revenues fell 4.3 per cent to \$1.66bn from \$1.34bn the previous year.

S1.74bn the previous year. \$1.74bn the previous year. The Minneapolis-based com-The Minneapolis-based com-pany said net income and per-siderably due to the strength of

HONEYWELL, the US share earnings in the first the commercial flight system electronics control and defence quarter of last year included a group and improvements it one-time gain of \$5m or 12 cents a share relating to the

group and improvements in the military avionics group. Operating profits in defence

and marine systems declined, as expected, because of lower sales volume, while those of the industrial automation and control business were higher than last year.
"We continue to focus on

cost control, investment in our core businesses and the previ-ously announced divestiture of non-core operations," Mr Ren-ier added.

# Modest gain at McGraw-Hill

McGRAW-HILL, the big US publishing, information services and broadcasting group, reported a moderate increase in first quarter earnings, but only with the help of an

accounting change.

Not earnings for the quarter.
ended March 31 rose 15.6 per cent to \$31.2m or \$4 cents a share, from \$27m or 56 cents a share. Revenue improved by 5.2 per cent to \$416.1m from

The New York-based company said income before the offect of the accounting change pany attributed the strong ll by 14 per cent results to improved earnings.

Pre-tax income foll 27.8 per in its media businesses com-

cent to \$33.1m from \$45.9m, reflecting the sale of a number of operations, including the CYMA accounting software firm and McGraw Hill training

 Tribune, the US media group, also reported mixed first-quarter results.

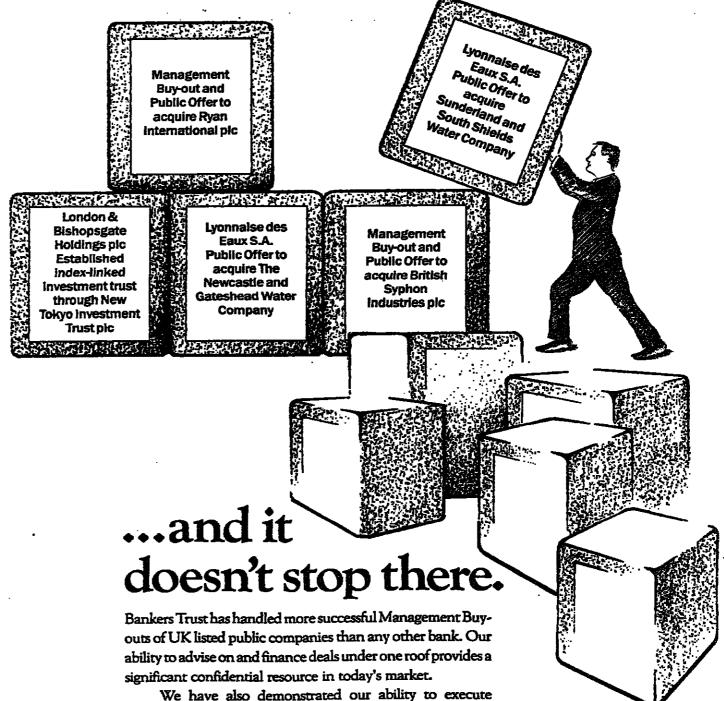
Net income rose 14 per cent to \$36.8m from \$32.2m. Pershare earnings improved 17 per cent to 49 cents from 42 cents. Revenue for the period was up 6 per cent at \$552.9m from \$522m. The Chicago-based com-

bined with a lower tax rate.

Operating profits for the
newspaper division, whose
publications include the Chipublications include the Chr-cago Tribune and the New York Daily News, jumped 19 per cent to \$51.5m from \$51.8m. Revenues increased by 5 per cent to \$383.9m from \$375.4m, with growth in advertising accounting for 4 per cent of the

The broadcasting and entertainment arm reported an oper-ating loss of 58 per cent to \$1.4m from \$3.5m a year ago. Tribune's newsprint operat-ing earnings fell 27 per cent to

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### INTERNATIONAL COMPANIES AND FINANCE

# **Malaysian Prime** Minister approves MPH takeover bid

By Wong Sulong in Kuala Lumpur

DR MAHATHIR Mohamad, the Malaysian Prime Minister, yes-terday sanctioned a controvertakeover bid for Multi-Purpose Holdings (MPH), the diversified group formerly controlled by the Malaysian Chinese Association (MCA), a partner in his coalition government.

Dr Mahathir also denied propers that either his ruling

reports that either his ruling United Malays National Organ-isation or Mr Daim Zainuddin, the Finance Minister, was behind the bid by Hume Indus-

tries Malaysia.
The Prime Minister criticised Chinese groups, including the MCA, of trying to inject racial and political controversy in what he said was "a commercial matter."
He added: "So long as a bid

serves the interests of share-holders and is made in accordance with the relevant laws and regulations, the Govern-ment shall not stand in the way of such a bid."

Hume, a construction materials producer which is part of the Hong Leong group of Malaysia and Singapore, announced last week that it was offering 500 ringgit cash and 1,000 ringgit in loan stock for every 1,000 MPH shares. MPH has a paid-up capital of 751m shares. It controls three

listed companies and is involved in banking, finance, lotteries, plantations, property

development and shipping.

The MCA, through its Koperasi Serbaguna Malaysia (KSM) co-operative, used to control 49.8 per cent of MPH, but this stellar is now controlled by the stake is now controlled by the Malaysian central bank, which injected 400m ringgit into KSM in 1987 to save it from collapse. Dr Mahathir said that the

the bid for MPH was to ensure that the public funds injected into KSM were well adminis-

"The idea of expending 400m ringgit to rescue a company whom some people have mis-managed can only be under-taken if there is no other means of returning to the shareholders the money they lost through bad management. But since a takeover by a nongovernment company can achieve the same objective, the Government must welcome such a move as long as this is done legally and properly." He added that the Govern-

ment "will be only too glad" if other parties are prepared to make a better offer than Hume. MCA leaders had reacted strongly against the offer, in part because they believed Malay groups to be behind it. Market analysts meanwhile feel that the Hume bid is too low, as MPH is a recovery stock with good assets, includ-ing ownership of a medium

size bank, Malaysian French This is one of the attractions for Hong Leong, which does not own a bank and has been

wanting one for a long time.

A counter-bid cannot be ruled out – indeed, the powerful Association of Chinese Chambers of Commerce and Industry has said it is prepared to head a consortium to make such a bid.

However, the deciding factor is the central bank with its near-50 per cent control. heavily traded during the past month, rising from 1 ringgit to 1.5 ringgit. It is believed that Hong Leong has accumulated more than 10 per cent of MPH

through market purchase

# Mixed results for JCI's gold mines

RANDFONTEIN and Western Areas, the two gold mines managed by the Johannesburg Consolidated Investment (JCI) mining house, underlined the industry's sensitivity to gold production levels during the March quarter. Randfontein suffered a drop

in its recovery grade and cut its pre-tax working profit by 40 per cent. Western Areas, on the other hand, increased its grade and reduced its working

loss by a quarter. Mr Walter van der Meulen Randfontein's mine manager, says that the grade decline developed because the new Doornkop section's initial recoveries have been lower than expected, and due to the richer ore being virtually exhausted in the Cooke section's No.1 shaft. He expects the grade to improve from the March quarter's 2.9 grams/ tonne over the next several

JCI GOLD QUARTERLIES Earnings per shere (cents) Mar 89 Dec 28 (Rm) Dec 88 Mar 89 Dec 88 Estrologa per ahure calculated after tax and capital expenditure. Parentheees = losses

good as the December quarter's

Randfontein has concen-trated on maximising gold pro-duction and this has involved processing comparatively large tonnages of low-grade rock contained in old surface

However, the proportion of underground ore will rise as production from the Doornkop section builds up to planned levels.

The mine has reduced this

financial year's planned capital expenditure to R120m (\$47.3m) from the original estimate of

Meanwhile, Western Areas lifted its gold recovery grade to 3.23 grams/tonne from the December quarter's 3.18 grams/ tonne, paradoxically as under-ground ore production was reduced. The mine has been closing unprofitable working areas and moving its mechanised mining equipment to richer areas. It is also no lon-ger processing its north section's rock dump, but has begun recovering gold from the richer dump in the south. Both mines have emphasised that trackless mechanised mining is a means of controlling working costs. However, West-ern Areas has to increase pro-

duction from conventional mining in its deep southern section to remove the extreme pressures which affect the gold reefs at depth. Once de-stressing is advanced it will be possi-ble to exploit thicker reefs at depth using mechanised tech-

niques.

Joel, the new mine being developed in the Orange Free State, has increased its ore milling rate and expects to commission the second stage of its processing plant in May. That will coincide with completion of the ventilation shaft and allow the monthly milling rate to be lifted to its planned

# ANI shares rise as takeover rumoured

By Chris Sharwell in Sydney

SHARES IN Australian National Industries (ANI), the engineering company caught up in the troubles of the collapsed Spedley financial group, rose sharply yesterday as more than 16 per cent of its stock changed hands.

The shares finished at A\$1.38 in Sydney, up 16 cents on the day and well above the low of A\$1.06 last week, when a provisional liquidator was appointed at Spediey Holdings and its associate Spediey Securities.

For reasons still to be explained fully, AMI has an exposure of A\$196.5m (US\$159.8m)to the Spediey group, including around A\$166m in bills of exchange and some A\$20m in advances recovered against shares. The secured against shares. The secured against shares. The total represents around 44.5 per cent of ANI's shareholders' funds at June 1988.

ANI is best known in Britain for its takeover earlier this year of the Aurora engineering group. Investors fear that losses from its exposure to Spedley will impair its equity base and profit, and the sale of their shares over recent days has led to speculation that it will become a takeover target. At current levels ANI is valued at some A\$750m.

The Spedley companies are pert of a complicated business part of a conquested outliness empire controlled by Sydney entrepreneur Mr Brian Yulii through a company called Greater Pacific investments

Until March, ANI held a 45 per cent stake in Spedley Hold-ings, but sold out to Yuill

interests.

Regarding the bills of exchange, ANI says these were endorsed by GPI Leisure, a quoted company in the Yuill empire. However, GPI Leisure disputes this.

The two sides are refraining from legal action pending an investigation by an outside auditor of Spedley and GPI Leisure.

The results of this investiga-

tion, and of a separate investi-gation of ANI's position by its own financial advisers, are expected to be known today or tomorrow.

Spedley's collapse follows the demise of two other fringe finance houses, Rothwells and Equiticorp. It is significant not only because of its potential impact on ANI but also because of Spedley's compiler. because of Spedley's compli-cated financial dealings with Rothwells and with Bond Cor-

# Price and production drops hit Anglovaal

By Jim Jones

THE THREE principal gold mines managed by South Africa's Anglovaal mining group suffered from lower gold production levels and rand gold prices during the March quarter, but received a mea-sure of protection from a 10 per cent reduction in taxes with the new mining tax formula proposed in the national budget in March.

Anglovaal is the most active of the South African groups in metals markets and all three of its mines say they have taken out option contracts to enhance revenues should the gold price remain below \$400 an ounce this quarter and next. Ore production rates are generally lower throughout the industry during the March quarter because of the summer holidays. Production is also

ANGLOVAAL GOLD QUARTERLIES E. Tvl Cons 61.28 7.56 8,024 2,147 7,944 2,019 Corsine

affected by high summer temperatures which lift under-ground temperatures and cut miners' productivity. Hartebeestfontein, Anglo-

vaal's largest gold mine, pro-cessed less underground and surface ore but increased its underground gold recovery grade fractionally. The mine's overall operating costs were comparatively well-contained in spite of a 10 per cent

A PERSON OF LINE SEAS BURGES INTO A PROPERTY OF THE PROPERTY O

increase in electricity tariffs during the quarter.
White miners will receive

their annual pay increases this quarter, that will be followed by higher wages for black min-

ers at the start of July.

Loraine was affected by a lower milling rate and poorer gold recovery but reduced its overall working cost by cutting its underground development rate. Anglovaal is exploring

ground immediately to the north of Loraine and is expected to decide on a new mine within the next few quarters. Local mining analysts believe Loraine could participate in the new mine's development.

Eastern Transvaal Consoli-

dated Mines, which operates a number of small mines in the mountains of the eastern Transvaal, reduced its processing rate but increased its over-all operating costs. Operating problems have been overcome and the plant recommissioned.

The Witwatersrand Nigel mine is to become 56.7 per cent owned by South East Gold Holdings (Southgo) under a scheme which involves the related Nigel Gold Mining Woldings and allows for no Holdings and allows for no offer to minority shareholders

# San Miguel meets again

The Transportation Group

John F. Wehner

Donald J. Muller

d J. N. Rey

Richard P. Butler

Jan W. Gustafsson

Benjamin Lam

Stephane Perche

By Richard Gourlay in Manila

THE PHILIPPINE Government is expected to increase its majority on the board of San Miguel, the country's largest manufacturing company, when votes are counted during the resumption of the annual shareholders' meeting today. The Government, through shares sequestered by the Pres-idential Commission on Good Government (PCGG) — which

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oseph J. Steuert s & Chief Executive Office John V. Pincavage

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Didier N. Benaroya

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Mounzer A. Nasr

is searching for wealth alleg-edly stolen by former President Ferdinand Marcos — along with investments by two other state bodies, controls voting rights for more than 55 per cent of the company and will occupy 10 of the beer and food group's 15 board seats.

The board has appointed bankers to study a rights issue possibly for the end of May.

COMMERZBANK 32

# Building a solid base for the '90s

Strong gains in 1988

Reserves strengthened by record amount

Commerzbank turned in another rewarding performance in 1988. Group business volume rose by nearly 12 % to DM 195 billion, with operating results for both the Parent Bank and the Group recording sound increases.

Lending operations were the primary factor behind this expansion, posting a healthy growth of 10.7% at Group level Loans to customers were especially brisk.

Looking to the future, Commerzbank took advantage of its strong earnings performance to reinforce its financial base once more. Group reserves were strengthened by a record total of DM 235 million, and consider-

Commerzbank Grou		hlights 1987
Total assets	180.4	161.7
Total lending	120.6	109.0
Borrowed funds	170.8	153.5
Capital and reserves	5.6	5.1
Net income (DM million	n) 489	423

able funds were again used to provide for country risks. The Bank will pay an unchanged dividend of DM 9 per DM 50 nominal share to its more than 160,000 shareholders.

The Group's equity capital was further increased to DM 5.6 billion, a rise of over 10%. Underlining its commitment to quality in human and technical resources as a cornerstone for success in the highly competitive banking environment of the coming years, Commerzbank continued to make substantial investments in staff and banking technology.

In the domestic financial markets, the Bank pursued its strategy of diversification by acquiring a 40% share in Leonberger Bausparkasse, one of West Germany's leading home loan associations.

The year also saw Commerzbank expand worldwide, in both commercial and investment banking. Its Zurich subsidiary, Commerzbank (Switzerland) Ltd, opened a branch in Geneva, and Commerzbank Capital Markets Corporation began operations in New York. Holdings were raised significantly in Unibanco - Banco de Investimento

do Brasil S.A., Latin America's thirdlargest private-sector bank, and in Korea International Merchant Bank, a specialized financial institution based in Seoul with a strong growth and earnings record.

In early 1989, a representative office was set up in Milan, and others are planned for Bombay and Seoul. With about 70 foreign branches, subsidiaries, representative offices and holdings, the Bank is now present in some 30 countries all over the world. Both at home and abroad, its further intensified activities have enabled Commerzbank to strengthen its position as a prominent player in global banking and finance.

For further information, please contact: Commerzbank AG, PR Dept. (ZVK) PO. Box 10 05 05, D-6000 Frankfurt 1, West Germany Phone: (69) 13 62-2726, Telex: 415 253 76 Telefax: (69) 13 62-20 08



Dorian B. Klein Hiroshi Yoshida incipal & Office Co-Ha cibal & Office Co-Hear Robert E. Riedl Yasunobu Nose Toshiyuki Tanaka J. Benjamin H. Nye James J. Pak Hong Kong Naseer Doha E. Hock Yap Pertuer & Director Hsueh-Ming Wang Paul Peters Jason So Alex Tsui 535 Madison Avenue New York, NY 10022 (212) 319-2233 37 Park Street London W1Y 3HG (01) 491-9202 AI Building, 5th Floor 20-5 Ichibancho St George's Building 19F 2 Ice House Street 20-5 icribancino Chiyoda-ku, Tokyo 102 (05) 221-4877 \$60 million \$50 million \$43 million \$77 million Canadi∎n Cathay Pacific *CONTINU* BRANIF Civil Aviation Administration of China \$61 million 82:162:000,00045; (J.) \$100 million EUXAIR S.A GPA GTE \$235 million \$74 million \$24 millio Ø, BABENA NORTHWEST Martinair \$121 million \$44 mHEor \$115 million TEA iransavia \$42 milli

Headquarters: Frankfurt. International Presence: Amsterdam, Antwerp, Atlanta, Barcelona, Beijing, Brussels, Buenos Aires, Cairo, Caracas, Chicago, Copenhagen, Geneva, Hong Kong, Istanbul, Jakarta, Johannesburg, London, Los Angeles, Luxembourg, Madrid, Manama (Bahrain), Mexico City, Milan, Moscow, New York, Osaka, Paris, Rio de Janeiro, Rotterdam, São Paulo, Singapore, Sydney, Tehran, Tokyo, Toronto, Zurich.



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This advertisement, which has been issued by Morgan Grenfell on behalf of Minorco, has been approved by a duly authorised committee of the Board of Minorco. The Directors of Minorco are the persons reponsible for the information contained in this advertisement. To the best of the knowledge and belief of the Directors of Minorco (who have taken all reasonable care to ensure that such is the case) the information contained herein is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors of Minorco accept responsibility accordingly.

# MINORCO

# INCREASED AND FINAL OFFER FOR

# CONSOLIDATED GOLD FIELDS PLC

THE INCREASED OFFER WILL CLOSE AT 1.00P.M. ON WEDNESDAY, 26th APRIL, 1989\*

MINORCO'S OFFER (a)	CASH SHARES	1,175 356.5 1,531.5p
MARKET PRICE (b)	·	1,289p

The MIX AND MATCH election, which permits Gold Fields shareholders to elect to receive more cash or more shares, is available only to accepting shareholdings who so elect by 1.00p.m. on Wednesday, 26th April, 1989.

- \*Minorco has reserved the right to increase its offer or extend the closing date in the unlikely event of a competitive situation. If the Increased Offer becomes or is declared unconditional as to acceptances on 26th April, 1989 it must remain open for acceptance for at least a further fourteen days.
- (a) The value of the Increased Offer is based on the market price of one Minorco share of 713p based on the middle market quotation, as derived from The Stock Exchange TOPIC service at 3.00p.m. on 18th April, 1989.
- (b) The market price of a Gold Fields share of 1289p is based on the middle market quotation, as derived from The Stock Exchange TOPIC service at 3.00p.m. on 18th April, 1989.

Copies of the Form of Acceptance may be obtained from National Westminster Bank PLC, New Issues Department, PO Box 33, 153-157 Commercial Road, London El 2DB (telephone 01-791 0011). Gold Fields shareholders who are in any doubt as to how to fill in the Forms of Acceptance should contact National Westminster Bank PLC, New Issues Department on 01-791 0011.

All of these securities having been sold, this advertisement appears as a matter of or record only



Common Stock (par value \$1.00 per share)

### 552,000 Shares

This portion of the offering was offered outside the United States by the undersigned

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Goldman Sachs International Limited

**Tucker Anthony** 

**Banque Paribas Capital Markets Limited** Dresdner Bank Aktiengesellschaft Salomon Brothers International Limited **Swiss Bank Corporation** 

**Deutsche Bank Capital Markets Limited** 

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THE FUTURE OF

TRANSPORT LINKS WITH THE CONTINENT

The Financial Times proposes to publish this survey on:

9th May 1989

For a full editorial synopsis and vertisement details, please contact

Jeremy M. Barif on 01-873 4026

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**FINANCIAL TIMES** 

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Coupon No. 14 payable at. 56.00 pesetas per share.

The depository will pay the equiva-lent proceeds in starling less texes as applicable against presentation of the respective coupons. These coupons will be paid on or after 25th April 1989 and must be lodged at least three business days prior to navment.

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April 1989

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# **ASEA Aktiebolag** Stockholm, Sweden

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shareholders will be held at the Carlforsska skolan, Sångargatan 1, Västerås, Sweden at 10.30 a.m. on Wednesday, May 10, 1989.

Meeting.

The agenda will include the customary items stipulated in the Swedish Companies Act and the Articles of Association.

### NOTIFICATION Shareholders wishing to participate

in the Annual General Meeting must both be recorded in the Share Register maintained by Vardepapperscentralen VPC AB, (Swedish Securities Register Centre) not later

than Friday, April 28, 1989

and notify the Board of Directors. either in writing under the address ASEA AB, P.O. Box 7373, S-103 91 Stockholm, Sweden, or by telephone +46 8 613 65 00, not later than 12.00 noon, Friday, May 5, 1989.

Shareholders, whose shares are held

in trust by banks or other trustees, must temporarily re-register their shares in their own names not later than Friday, April 28, 1989, in order to be eligible to participate in the

### **DIVIDEND PAYMENTS**

The Board of Directors has proposed Tuesday, May 16, 1989, as the date of record for the dividend. If the proposal is approved by the Annual General Meeting, it is expected that the dividend payments will be mailed by VPC on Tuesday, May 23, 1989. Holders of old share certificates must first exchange these for new VPC share certificates before they can receive the dividend payments.

Stockholm, April 1989. By order of the Board.

# ASEA

The Commissioners of The State Bank of Victoria

U.S. \$125,000,000 Guaranteed Undated Capital Notes For the six months 17th April, 1989 to 17th October, 1989 the Notes will carry an interest rate of 10.5625% per annum with an interest amount of U.S. \$536.93 per U.S. \$10,000 Note and U.S. \$13,423.18 per U.S. \$250,000 Note. The relevant interest payment Listed on the London Stock Exchange

Bankers Trust Company, London

Agent Bank

Notice to Holders of 7½ per cent. Convertible Bonds due 1998 of AMEDCO International

Finance N.V.

Copies of the financial statements and accounts of AMEDCO International Finance N.V. for the eight tronship ended December 31, 1958, as corblied by Arthur Young & Co. Independent accountants, together with copies of the Annual Report to Stockholders and Form 10-K Annual Report to the United States Securities and Exchange Commission of Service Corporation International, which is the utilimate parent of AMEDCO International Finance N.V. and whose common stock is issuable upon conversion of the Convertible Bonds, are available upon request to:

The Secretary Service Corporation Houston, Texas 77219 U. S. A. Banco Central de Costa Rica U.S. Dollars Floating Rate Serial Notes

For the period 17th April, 1989 to 17th October, 1989 the Notes will carry an interest rate of 11.75% per annum, with a coupon amount of U.S. \$47.78 per U.S. \$1,000 Note payable on 17th October, 1989.

Bankers Trust Company, London Assent Bank

### INTERNATIONAL CAPITAL MARKETS

# Eurobonds encouraged by US data

EUROBOND markets reacted favourably to yesterday's US consumer price index and housing starts figures. The depressed Eurodollar sector saw increased turnover of seasomed issues, while spreads of Eurobonds against US Trea-suries held steady despite the strong rally on the New York

Improved sentiment failed to translate into new-issue activ-

### INTERNATIONAL BONDS

ity until late in the day. Traders reported limited buying of US dollar bonds, while swap rates encouraged issues only in specific sectors. "Deals are working only in niche areas at the moment," said one syndi-cate manager.

Never the less, JP Morgan launched two dollar deals, both too late for there to be any significant grey market trading. A \$200m 10-year deal for Electricité de France will be fungible after June 16 with the existing \$300m 9½ per cent bonds due in March 1999.

The new bonds came at some 50 basis points over Treasuries and were supported by pre-placement, with the lead manager reporting good institu-

Borrower US DOLLARS

PKbanken(e)

Ford Motor Credit(a) 
EDF(b)

AUSTRALIAN DOLLARS

Johnson & Johnson(a) ♦
GMAC Australia Finance
Finnish Export Credit(c) ♦

Exxon Capital Corp.(a)

D-MARKS
World Bank(a) 

Banque Ext. d'Algerie(a) 

Renown Look(d)

Kurogane Kosakusho(f)★★§◆ Hitachi Kiden Kogyo(g)★★§◆

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Elec. De France 9 98.

Finland 7½ 97

Finst. Exp. Cd. 6½ 92.

Fran. Exp. Corp. 9 93.

Gen. Elec. Cap. Corp. 10 1/291.

Gen. Mirs. Corp. 9½ 92.

Hailfax BS 9½ 93.

IBM Credit Corp. 8½ 91.

IBM Credit Corp. 9½ 92.

Itally 9½ 95.

Particulation of Japans 9½ 93.

Nippon Tel. & Tel. 9½ 93.

Norway 8½ 93.

Portugal 8¼ 91.

Prudential Crp. 8½ 94.

Quantas Alrways 10½ 95.

Saskatchewan 10½ 92.

State 8k 5 Aust 9½ 93.

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Asian Dev. BK. 6 94...
Austria 6-ig 99...
Bank of Tologo 5-ig 93...
Commerchanik o/is. 5-ig 93...
Credit Foncier 6-ig 99...
Degussa Int. 6-ig 97...
E.I.B 5-ig 98...
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E.I.B. 6-2 95.
Euro Coale. Steel 5-1, 97
Euro Coale. Steel 5-1, 97
Elec De France 5-1, 97
Forsmark Krig. 5-1, 93.
Hydro Quebec 6-1, 99.
Japan Des Bit. 5-1, 95.
Japan Finance 5-1, 97.
Ireland 6-1, 97.
Malaysia 6-1, 94.
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Royal Insurance 5 1; 92.

Soc Cent Nuclear 7 1; 95.

Turkey 6 1; 95.

Ualon 81; Finlance 5 93.

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World BK, 6 1; 97.

Average price change.

tional interest in Japan. A \$200m five-year deal for Ford Motor Credit Corporation was priced at 101% per cent to yield 61 basis points over Treasuries. The 10 per cent coupon was expected to attract Japanese investors. The proceeds were unswapped.

The Australian dollar sector saw two new issues, both of which had good receptions after a resilient performance by the domestic market. Tuesday's Australian trade figures were worse than expected, but the market rallied after an initial fall to close almost

unchanged. Hambros Bank launched an A\$50m three-year deal for GMAC Australia Finance, which was warmly received The bonds came with a 16 per cent coupon and were priced at 101% per cent to yield some 75 basis points over the three-year government bond futures con-

The lead manager was quoting the paper at less 1% bid, a discount equivalent to full underwriting fees. New issue traders reported good demand for three-year paper from retall investors in Europe and said the pricing was fair. The pro-

ceeds were unswapped.
An A\$75m deal for Johnson & Johnson was brought by Bankers Trust International.

**NEW INTERNATIONAL BOND ISSUES** 

101 % 101 % 100

101 4

101%

\*\*Private placement. With equity warrants. \$Convertible. \$Final terms. a) Non-callable. b) Fungible with \$300m issues

FT INTERNATIONAL BOND SERVICE

75

launched in February 1989. Issue price at 100 plus accrued interest. c) Issue increased from A DM/AS and exchange rate 5 day's before maturity. d) Coupon cut by 1,1% from indication. e) stock index. f) Put option fixed at 10312 to yield 1.831%, g) Coupon indicated at 11,1%.

| Stand | Std | Offer they week Yield | 200 | 1921, 925, 0 | 0 | 10.62 | 150, 921, 924, 103, 10.95 | 150, 964, 964, 963, 403, 403, 9,88 | 250 | 964, 974, 404, 405, 9,86 | 1000 | 97 | 973, 404, 405, 9,86 | 100 | 1003, 1013, -03, 404, 10, 408 | 300 | 97 | 973, 403, 404, 9,88 | 100 | 1003, 1013, -03, 404, 604, 696

| State | Stat

1991

1994

100

Listed are the latest international bonds for which there is an adequate

The one-year bonds were launched soon after the start of trading in London and carried a coupon of 17% per cent to attract retail investors.

The lead manager said the paper was trading at less 1 bid, a discount equivalent to underwriting fees. At that level, the yield to maturity of the bonds was 16% per cent, the same as the yield on the recent New Zealand issue which came with a 17 per cent coupon.

The good reception was attributed to the coupon and the rarity value of the borrower's There was some comment that large investors could find better yields in one-year commercial paper, but few retail investors can afford the much larger denominations that characterise that market. The proceeds were first

swapped into floating US dol-lars before being swapped into commercial paper. Elsewhere, UBS Phillips & Drew was the lead manager of an Eculoom deal for Exxon Capital Corporation. The two-year bonds came with a 9 per

cent coupon and were priced at 101% per cent.
The bonds were priced on a yield basis to offer a pick-up over existing secondary market Ecu paper, including the EC 7% per cent 1991 and the SEK 7% per cent 1991 bonds which

17/14 J.P. Morgan Secs. 2/14 J.P. Morgan Secs.

114/5 UBS-Phillips & Drew

WestLB DG Bank Deutsche Bank

Royal Trust Bank (Switz)

1%/14 Nomura Int.

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† Only one market maker supplied a price it. Bonds: The yield is the yield to redemption of the mid-pyles amount issued is in millions of currency units except for Yes s where it is in billions. Change on wack = Change over price a

coupon, convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day - Change on day. Ow date - First date of convertible late shares. Cm. price - Nominal amount of bond per share expressed recurrency of share at conversion rate fixed at legue. Prem - Persantage premium of the currenteffective price of acquiring shares via the bond over the most recent price of the shares.

Zerdrijsk. 134, 93 AS.
FLOATING RATE
NOTES
Allizance & Leic Bid 94 £
Beighem 91 US.
Chese Mamhastan Crp. 91 US.
Chest Mamhastan Crp. 91 US.
Chest & Gloocester 94.
Cithcorp 98 US.
EEC 3 92 DM.
Malifax BS 94 £
Isrt. In Indestry 94 £
Lecis Perm. BJS. 94 £
Milk Mikt. Brd. 5 93 £
New Zealand 5 97 £.
State Bk. New 98 US.
Woolwich Equit. BS. 93 £
Woolwich Equit. BS. 93 £

CONVERTIBLE

MANDS ALONG 64, 02 US.
Amer. Brands 74, 02 US.
Amer. Brands 74, 02 US.
Adallicago Bank 24, 02 US.
Eng. Dial Cass.
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ministrati Re. 1.4, CV 85.
Mitted Time 274, CU 15.
Meet PieS-1, CO 5.
Meet Mipp, Be. 274, CU 15.
Genron Treids 274, CV 15.
Reside Horiz 474, CV 15.
Reside Horiz 474, CV 15.
Reside Horiz 474, CV 15.
Sandkaron Bank 314, CV 15.
W.R. Genze 64, CV US.
W.R. Genze 64, CV US.

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yesterday were yielding 8.44 and 8.53 per cent respectively. The lead manager was quoting the Exxon bonds at less 1% bid, equivalent to full fees, a level at which the paper yielded 8.65 per cent.

The deal was syndicated along so-called "take and pay" lines, with co-managers uffered immediate allocations. The issue was part of a funding issue was part of a funding programme in the one and two-year maturity range intro-

duced by Exxon last December.
The proceeds were swapped into fixed-rate US dollars to achieve a borrowing rate which an Exxon official confirmed as significantly cheaper than the company would have commanded on the domestic US market.

In Germany yesterday, a DM150m deal for the World Bank was launched by West-dentsche Landesbank. The 10year bonds came with a 6% per cent coupon and were largely placed with a network of European savings banks. The lead manager reported good demand and quoted the bonds at less 1% bid, well inside underwriting fees of 1% per

cent. A DM150m deal for Banque Exterieur d'Algerie also had a good reception. The five-year bonds carried a 7% per cent coupon and offered an attrac-tive yield to domestic retail investors. DG Bank, the lead manager, was quoting the paper at around 1.70 bid, inside fees of 1% per cent. At less 1% hid, the bonds gave a yield of 8.19 per cent, significantly higher than domestic government bonds.

# Japan eases lending restrictions

JAPAN'S FINANCE Ministry will abolish restrictions on mid- to long-term Euroyen lending by the end of June, a ministry official said yesterday, agencies report from Tokyo.

The move - primarily affecting banking institutions - will begin next month as part of a phased process which also involves a revision of the country's Foreign Exchange Law.
It is a consequence of a

broad agreement reached between the US and Japan in 1964 under the so-called Yen-Dollar talks to deregulate the local financial and capital markets and internationalise the

Ministry sources said the move was expected as part of a gradual liberalisation schedule promised by Japanese officials to expand and develop the country's financial system so that it mirrors those of other

advanced nations.

The official said some remaining details of the reform still had to be worked out. He said the necessary legal modifi-cations would be undertaken as soon as possible, though a specific date for the revision had not yet been set.

The ministry is also to allow

small financial institutions to expand their scope of business.

An official said the department would draft bills to make necessary changes in the law to allow credit co-operatives and labour credit associations, which primarily serve smaller

businesses, to conduct foreign exchange and government bond transactions. However, it has not been decided when to submit the hills to parliament, he added. The ministry's decision followed recommendations to this effect made earlier in the day by a ministry advisory panel.

Small financial institutions have been calling for equal business opportunities in foreign exchange and government bond trading because of clients' requests.

Manufacturers Hanover Corporation U.S. \$100,000,000 Floating Rate Subordin Notes due 1997 rdance with the pro he Notes, notice is her the Notes, holder is hereby given that the Notes will carry an innerest rate of 10.5% per amount for the period 17th April, 1969 to 17th July, 1989 with a coupon amount of U.S. \$265.42 for the U.S. \$10,000 denomination and U.S. \$6,635.42 for the U.S. \$250,000 denomination and will be people on 17th the 1000 or leading the 17th the payable on 17th July. 1989 against surrender of Coupon No. 16. Benkers Trust Company, London Agent Ben

> FUTURE OF EUROPEAN CAPITAL MARKETS 26th May 1989

or write to him/her at:

Number One Southwark Bridge SEI 9HL or contact your local FT Representation

**FINANCIAL TIMES** 

### INTERNATIONAL CAPITAL MARKETS

# Treasuries rally on back of fall in housing starts

By Janet Bush in New York and Katharine Campbell in London

US TREASURY bonds rallied ened even further, Fed Funds us treasury bonds rallied strongly yesterday in response to a rise in consumer prices in March towards the low end of expectations and a weak housing starts release.

At midsession, short-dated maturities were quoted as maturities were quoted as much as & point higher and nobody expects it to

maturities were quoted as much as ¼ point higher and long-dated issues a full point

### GOVERNMENT BONDS

up on Monday's close. The yield on the Treasury's bench-mark long bond fell below 9 per cent since early February to 8.96 per cent. The market's focus had been

exclusively on the CPI going into yesterday's figures but, in the end, it was a 5:4 per cent drop in housing starts in March and a 13.7 per cent fall in permits that gave bonds the major boost. The market had expected starts to be

The sharp fall in permits is a fairly good guide to future activity in the housing market. This was the largest decline since permits fell 14 per cent in October 1981, in the early stages of the last recession. The market had expected

housing starts to be unchanged but it is obvious from yesterday's figures that higher interest rates have really begun to bite into this sector of the

The CPI rose 0.5 per cent in March compared with expectations of a rise of as much as 0.6 per cent. Excluding the volatile food and energy components, the index rose 0.4 per cent.

II CHE

Over the first three months of the year, consumer prices rose at a compounded annual rate of 6.1 per cent, the largest quarterly jump since early

Although inflation is significantly higher than the US Federal Reserve would want, the conclusion yesterday appeared to be that, given the obvious weakness in the housing mar-ket, the Fed would be more reluctant to raise interest rates again. Only on Monday, many economists were still talking about a further Fed tightening The spread between the Fed Funds rate and short-dated government securities has wid-

and nobody expects it to quickly - the market could be vulnerable at these levels.

EUROPEAN bond markets received a considerable fillip from yesterday's US statistics, which eased international interest rate pressures for the

In Germany, where the mar-ket had opened weak and ner-vous ahead of the US numbers, prices surged strongly. Considerable buying interest was generated both from dealers covering short positions and also from retail investors re-enter-

ing the market. On Liffe, the June 10-year bond futures contracts closed just a point off the day's highs, at 94.14, 40 pfennigs above Monday's finish.

THE FRENCH market, which has been following movements across the Atlantic closely in the past few days anyway, also took a lead from the strong performance of US treasuries. The 8% per cent tap stock due 1999 closed 74 cents up on the previous day at 96.11 to yield 8.73 per cent compared with 8.95 per cent previously.

On Matif, the 10-year June futures contract closed off the day's highs at 106.96 as a result of profit taking, but in afterhours trading was quoted at

TRADING IN the UK gilt-edged securities market was largely driven by technical activity in the futures pits, with a good deal of professional short covering in response, again, to events in the US.

The market had opened up to % of a point weaker, as a result of a domestic £150m issue for the breweries group Bass, but turned around by early afternoon.

However, profit-taking later in the day, as well as the per-ception that nothing had changed on the reading of the UK economy itself, served to push futures and cash prices back down again, so that the June long gilt finished hardly changed on its previous close

AUSTRALIAN bond prices suffered volatile trading after the announcement of a worsethan-expected current account deficit in March. The A\$1.62bn shortfall knocked half a point off the market, confirming fears that grave problems peralst in the domestic economy. By the close of trading in Lon-don, the Australian dollar had dropped 1% cents against the dollar

	Coupon	. Red Date	Price	Change	blefy	Week ago	Mont
UK GILTS	13,500 9,750 9,000	9/92 1/96 10/08	106-29 97-08 97-14	+ 2/32 + 1/32	11.02 10.24 9.29	11.10 10.34 9.35	10.74 10.05 9.09
US TREASURY *	8.875 8.875	2/99 2/19	98-23 99-05	+27/32 +33/32	9.12 6.99	9,31 9.11	9.52 9.30
JAPAN No 111- No 2	4.600 5.700	6/98 3/07	98.3029 106.5170	+0.090 -0.001	5.20 5.01	5.19 5.03	5.24 5.11
GERMANY	6.375	11/98	96.7500	+0.450	6.84	6.93	6.98
FRANCE BTAN OAT	8,000 8,125	1/94 5/99	96,6998 96.1250	+0.257 +0.775	8.86 8.71	9,02 8,94	9.31 9.16
CANADA *	10.250	12/98	99.8750	+0.625	10.27	10,45	10.66
METHERLANDS	6.7500	10/98	98,0250	+0.200	7.03	7,11	7.11
ALISTRALIA	12.000	7/99	90.8986	-0.024	13.65	13.78	13.70

### Pöhl says withholding tax cannot be repealed

By Haig Simonian in Frankfurt

MR KARL Otto Pöhl, president of the West German Bundesbank, yesterday repeated his strong opposition to Ger-many's new withholding tax on investment interest earnings which was introduced at the beginning of this year. He indicated that he thought an abolition was now politically

abolition was now pointnary impossible.

The experience of withholding tax had been "dreadful" and entirely in line with the Bundesbank's expectations, said Mr Pöhl. The tax had depressed the value of the Deutschmark, triggered a vast capital outflow and pushed up domestic interest rates, with the result that "the economic costs of the tax had overstep-

ped the income from it." However Mr Pohl was sceptical that the tax could now be repealed following the great political embarrassment that accompanied its announce-ment in October 1987 — when the Bundesbank was not con-sulted — and the further uncertainty in recent weeks. "I see this as impossible.

You can't bring in a law and then get rid of it three months he said. Speculation about abolition of the tax has increased since last week's German cabinet reshuffle, which removed Mr Gerhard Stoltenberg, the tax's author, from the finance ministry and replaced him with Mr Theo Waigel, a known opponent of

Mr Pohl said the Bundesbank "would welcome" any steps Mr Waigel might take to simplify the tax, such as raising thresholds to remove smaller taxpayers from its net. Many of those who were potentially exempt from withholding tax were still paying it as they had not gone through the required exemption procedure with their local tax office, he

On Monday night, Mr Hans Otto Solms, the deputy chair-man and financial spokesman for the liberal Free Democratic party, repeated his commitment to the withholding tax but called for a raising of thresholds and a reduction in Hillsdown amends Eurobond terms

HILLSDOWN Holdings, the UK food and property group, said yesterday that it was amending the terms of an existing £150m convertible Eurobond. The aim is to make it more likely that investors will convert their bonds to equity rather than sell them back to the company in 1992 as the initial terms allowed.

The modifications to the terms, unlike revisions to other similar securities, do not spell out a minimum rate of return investors will receive if they hold their bonds beyond the initial put date. Rather, they give the company the right to set terms on a second put date in 1997 as the 1992 put date

approaches. Mr Mick Mariscotti, Hillsdown's Treasurer, said that the company would fix a rate of return that reflects prevailing market conditions instead of

locking in current high interest rates.
There is also an option for a

further put date set for 2002, the year the bonds mature. The bonds, issued during the bull market of 1987, are convertible into shares at 418p, a premium of 28 per cent over the initial issue price. Hillsdown's shares were trading yesterday at around 265p.
If investors who bought the
bonds at par do not convert to

equity but exercise their put option in 1992, Hillsdown will have to repurchase them 125.63 against an issue price of par. This gives investors a yield to maturity of 8% per cent, while the actual coupon on the bonds is only 4½ per cent. Hillsdown thus joins a grow-

ing list of UK companies which issued convertible Eurobonds before October 1987 with above-average conversion premiums and below average coupons.

To compensate investors, the bonds included an option to put them back to the issuer five years after the issue date at a yield around that of UK government bonds. After the stock market crash, the share prices of many of these companies fell to levels where conver-sion appears unattractive to

investors.
Since many of the issuers, including Hillsdown, had viewed the securities as a means of ultimately raising equity, underwriters began searching for modifications that would induce investors to hold their bonds until conversion became attractive.

Credit Suisse First Boston.

underwriter for the securities and adviser on the modifica-tions, estimates that Hillsdown's stock price would have

to rise to about 520p by 1992 for

investors to choose conversion rather than redemption. Although it is possible that the company's share price will soar over the next three years, it appears likely that the bonds will prove a more expensive method of financing than Hills-down believed at launch.

Some issuers of convertible puttable Eurobonds have taken additional charge to earnings, setting aside reserves to cover the cost of interest accrued, but not actually paid, on the

But extending the put options beyond the initial five-year period, in the judgment of several UK accounting firms. has eliminated the requirement for the company to take an additional charge to earnings, thus prompting issuers of puttable convertibles to modify

# CME to release trading abuse findings

By Katharine Campbell

THE CHICAGO Mercantile Exchange today releases the findings of its special panel of industry experts set up in response to the two-year FBI investigation into trading abuses at the CME and the Chicago Board of Trade, the world's two largest futures

exchanges.
The nine-member panel has spent almost three months looking into issues ranging from trading practices to mar ket surveillance and the composition of exchange disciplinary committees. The resulting

proposals will be put to the board of the exchange, although it is unclear how soon they will be implemented. While the FBI probe has so far failed to yield any indict-ments, it has, among other things, raised questions about the effectiveness of the exchange-based self-regulatory mechanism fundamental to the US futures industry. The CME's action is designed to demonstrate, particularly to its congressional audience in Washington, the soundness of

this self-regulatory system.

all US futures exchanges. Yesterday the subcommittee of the House Agricultural committee, which is chaired by congressman Mr Glen English, was receiving the first full briefing from staff involved in its own

Both the Senate and the

House committees charged

with oversight of the CFTC, and this year with the agency's

re-authorisation, have been

engaged in their own investiga-

tions, which have extended to

investigation.
One of the issues at the fore-

dual trading, hitherto something of a sacred cow in the US futures industry. The practice, whereby a floor trader operates for his own account as well as transacting client business, has repeatedly come under scrutiny, because of the obvi-ous conflicts of interest that can arise.

The exchanges have repeatedly argued that dual trading enhances liquidity in less liquid contracts, but they are now under considerable pressure to ban dual trading, at least in front of the debate concerns the more active pits.

# CBT plans new contracts

THE CHICAGO Board of Trade (CBT) has announced that it will list a new set of futures and futures-options contracts on US mortgage-backed securi-

ties beginning June 16, Reuter reports from Chicago.

The exchange launched its first mortgage-backed product in 1975 when it became the list exchange to list interest. first exchange to list interestrate futures. However, the initial attempt and three subsequent mortgage-backed, securi-ties-based contracts failed when dealers baulked at their complicated terms of deliv-

ery.
The cash-settled contracts

will expire monthly and be based on the current Government National Mortgage Association (GNMA) coupon. The contracts will trade in \$100,000

The CBT Clearing Corp will calculate the monthly settlement price on the last trading day based on a survey of 15 dealers.

• The Tokyo Stock Exchange (TSE) has given official approval for its TOPIX (Tokyo Stock Price Index) futures contracts to be traded on the Chicago Board of Trade, Mr Minoru Nagaoka, TSE chairman, said.

# **SEC** resources 'strained'

MR DAVID Ruder, chairman of the Securities and Exchange Commission, yesterday told the Senate Securities subcommittee that the agency needed more money to properly regulate securities markets, Reuter

reports from Washington.
The commission's operations are efficient, but its resources are strained," Mr Ruder said. "Additional resources are needed to ensure that the commission can continue to exercise effectively its statutory responsibili-ties."

Mr Ruder said the SEC needed to maintain and expand years.

its enforcement in market regulation programmes, to investi-gate leveraged buy-outs and to deal with the problem of fraud in the penny stock market. He said the SEC had found serious problems of fraud and manipulation in the penny stock mar-ket and would make this a priority item for the next several

"The commission is mobilising its efforts to protect small investors from penny stock fraud and manipulation," he said in his testimony.

Mr Ruder asked Congress for \$578m over the next three

### **LONDON MARKET STATISTICS**

# FT-ACTUARIES SHARE INDICES

				_	<u> </u>				_ •		
	EQUITY GROUPS		Tuesi	iay Ap	ril 18	1989		Mos Apr 17	Fri Apr 14	Thu Apr 13	Year ago (approx)
F1	& SUB-SECTIONS  Igures in parentheses show number of stocks per section	ladex No.	Day's Change %	Est. Earnings Yield% (Max.)		Est. P/E Razio (Net)	xd adj. 1989 to date	index No.	index No.	Index No.	index No.
	CAPITAL GOODS (207)	936.49	+1.0	10,60	4.68	11.60	9.80	927.11			
2	Building Materials (29) Contracting, Construction (38)	1182.92	+1.0	11.49	4.12		9.68				
3	Contracting, Construction CS87	11699.43	+1.2	12.51	4.19	18.19	25.93 25.01		1675.43 2685.81		1598.15 1986.00
9	Electricals (10)	12111 E.	+1.1	8.43	4.44 3.17	14.46					1555.96
2	Mechanical Engineering (54)	CH AND	+1.1	10.31	4.00	11.43	6.73	499.21			
9	Metals and Metal Forming (7)	532 43	+0.9	14.25		7.53					
- 4	Motors (17)	389.52	+1.5	12.70							
10	i (Hhar industrial Materials (22)	11565.24	+1.1	9.36	4.32		21.63			1515.73	
21		1180.19	43.8	7.00		13.92	8.00			1156.68	1061.07
22	Brewers and Distillers (22)	1220.97	+2.0	18.09	3.58	12.54	9,\$8	1256.10	1255.77	1242.07	1071.65
25	Food Manufacturing (20) Food Retailing (15) Health and Household (14)	1025,72	+1.1	9.30	3.97	13.45	11.32				
26	Food Retailing (15)	2071.23	+0.3	9.02	3.46	14.63	14.57		2656.73		
27	Health and Household (147)	2277.06	+9.6	6.27	2.56	18,23	7.00	2262.64		2257_17	
	Leisure (33)	2567.35	+8.7	7.65	3.40	16.44	14.64				
31	Packaging & Paper (16)	567.17	+1.0	10.13	4.24		6.99		583.13	560.37	
32	Publishing & Printing (18)	3565.19	+0.9	7.05	4.53	13.85	22.54			3545.14	
34	Stores (33)	76Z.36	+0.9	11.33	4.65	11.57	I.83	755.55	747.29 508.34	70.45 586.84	
35	Textiles (15)	3644 77	+2,6	11.99	5.40 4.23	18.21	8.71	510.05 1856.68			67.52
	OTHER GROUPS (94)	1244 49	+8.2	8.39	2.70	15.25	13.24		1273.60		
41 42		1743 78	+0.7	11.19	4.54	10.74	21.34		1125.33		
42	\$451116512 1467	7 530 XB	+1.2	15.84	4.82	11.58		1583.41			
46	Conglumerates (11) Transport (13) Telephone Networks (2)	2388.84	+1.7	8.37	3.62	15.36	20.11		2337.60		
47	Telephone Networks (2)	1126.17	. +8.7	10.42	4.17	12.47	0.00	1118.26		1102.18	953.83
48	Miscellaneous (28)	1464.60	+1.1	10.66	4.04	10,67	21.21	147.4	1443.17	1433.28	1119,25
49	INDUSTRIAL EROUP (487)	1705.57	+1.0	9.77	3,95	12.65	9.08	1094.95	1095.79	1984.56	941.32
	ON & Gas (13)	1979-26	+0.9	19.00	5.62	12.81	41.32	1961.37	1948.06	1907.20	1874.40
-50		1180.07	+1.9	9.80	4.17	12.67	11.69		1167.69	1154.72	1019.98
<del>-7.</del>	FINANCIAL GROUP (123)		+0.7		5.27		13.90	724.59	726.24	721.84	446.92
62		714 42	10.5	25.99	6.63	5.53	28.35	712.83	734.72		
65		1843.96	+1.7		5.72			1937.14			966.44
66		575.19	+8.5	_ ;	1.88	1 - 1	13.65	572.14	581.71	579.16	\$36.15
	Insurance (Brokers) (7)	937.15	+1.1	9.61	6.73	14,61	26.01	126.85	925.48	<b>925.38</b>	894,28
AR.	Merchant Banks (11)	332,43	. +8.8	- 1	4.51		3.63	329.67	327.87	326.08	347.57
49	Property (52)	1311.55	+1.0	5.75	2.74	22,12	4.54	1298.93	1297.85	1288.23	1152.42
70	Other Fingacial (30)	347.47	+0.8	19.92	5.78	12.56	4.83	364.27	363.60	361.07	393.15
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### **UK COMPANY NEWS**

Earnings are limited to 4% despite strong performance at Halfords | Reliant

# Ward White up to £76.6m

By David Waller

WARD WHITE, the DIY and car parts retailing group which has changed its shape consid-erably over recent years, yesterday reported a 17 per cent increase in pre-tax profit to £76.6m for the year to the end of January.

But despite the strong per-

formance of the Halfords sub-sidiary - where profits rose 43 per cent to £25.6m - growth in earnings per share was limited to just 4 per cent on a fully diluted basis, reflecting the convertible issue as part of the £130m acquisition of AG Stan-

Sales fell from £755m to £734.6m overall, explained by disposals. In the core businesses of Halfords, Payless, Stanley and Whitlock, turnover advanced by 42 per cent to £634.9m, accounting for 86 per cent of the group total sales and 92 per cent of total operating

At the Halfords subsidiary, on sales up from £170.2m to £212m, margins surged from 10.5 per cent to 12.1 per cent, reflecting a "significant" gross margin increase and cost cut-

STAKS HOLDINGS, a cane furniture retailer traded on the

Third Market, has plunged into the red after a troubled ware-

house move, over-rapid expan-

sion of its retail chain and

intense competition in its

director, has resigned, as has his wife Ms Annette Ward, a

non-executive director.

Mr William Ward, managing

Staks moved from a £105,000

profit to a loss of £1.3m in the

six months to October 31.

Turnover increased from £3.0m

JOHN MENZIES, the retailer

and newspaper wholesaler, yes-

terday reported pre-tax profits up from £26.2m to £28.1m for

the 52 weeks to the end of Jan-

uary, despite "substantial" but unquantified losses in the US

and a drop in profits in the UK

newspaper wholesaling busi-

Turnover for the period rose

£819.4m. A second interim divi-

dend of 3p per share was

declared, making 6p for the

year so far, against

changed to April, a final divi-dend will be paid in November

Boosey & Hawkes

Conder Group

Miss World §

Silvermines .. Sindall (Wm)

in respect of 15 month period.

Tie Rack

Since the year end has been

The retail home DIY products group achieved operating profits of £40.7m, up by 87 per cent on the previous year, mainly because of the inclusion of Stanley for a seven month period (analysts suggested that the Stan-ley contribution was £9.5m).

The US retail operations principally the Whitlock car-parts subsidiary bought in December 1986 through the takeover of LCP Holdings — saw a decline in operating prof-its from £10.7m to £10.4m despite an increase in turn-over from £92.6m to £108.8m.

Mr Philip Birch, the chair-man, blamed this on intense competition and bad weather in the Chicago area, which accounts for around a quarter of the division's

Basic earnings per share rose 10 per cent to 34.9p, while the fully diluted version edged up from 27.5p to 28.5p per share. The final dividend is to be 7.5p, making a total of 10.5p, up from 8.75p and an increase Property profits contributed

The company warned that it was at risk of losing the sup-

port of its bankers unless shareholders agreed to a refin-

ancing package. It is calling for

a 2-for-3 rights issue at 5p a share. In addition it has

obtained a £400,000 guarantee

from its chairman and a £1m

guarantee from Leisure Invest-

ments (Securities), in return

for options on 1m and 2.5m

shares respectively.

Almost half of the loss was

an exceptional charge related

to removal costs. The five week warehouse move resulted in an

and the results for the full 15

month period will be

announced in July. More details of the loss-making side

of the business will then be

At this stage, Menzies gave no breakdown of its figures.

which were broadly in line with expectations after the group experienced a fall in

shake-up in the newspaper wholesaling industry. Interim

profits then fell from 25.5m to

In the UK, the Early Learn-

ing Centres - a chain of shops selling toys and books for chil-

dren - enjoyed healthy

last year

3 5.5 8.35 4 11.5 1.7 2.85 5.8 8

3.1 1.21 4.3 8.75

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Corres -

3.25 8.5 0.95 2 4.15

Rights issue follows Staks £1.3m loss



total; the interest bill fell from 28m to \$7.3m; with borrowings down from £56.8m to £40.7m after disposals of £94.5m, gearing fell from 38 to 23 per

COMMENT Although yesterday's figures from Ward White were broadly in line with expectations, the shares fell 10p to 262p against the trend of the market. This

"alarming" fall in turnover, a rise in overheads and damaged

stock, which was sold at a

a trading loss, which was mainly incurred by its whole-saling division. This was due

to slow moving stock and poor

customer selection which resulted in a substantial bad

The resignation of the finance director and computer

problems resulted in disrup-

tion to the company's financial

growth in both sales and prof-

its. Hammick's bookshops,

bought in November 1987, were substantially ahead over the

Early Learning has been expanded rapidly in the US recently and the total number

of outlets is now 83, up from 65 at the half-year end and 18 in July 1987. Losses associated

ted to peak in the current 15 month period before dropping

to half their present level in

the next financial year.

Mr Ranald Noel-Paton, man-

aging director, reported that the wholseale division had

undergone a year of "massive

ACSIS GROUP has acquired

certain assets of Rotavision, a specialist advertising business,

for £64,901. The assets, com-

prising some 80 site contracts and a number of contracts with

advertisers, will be integrated

into Ingleby, Acsis' media sales

subsidiary. BESPAK'S joint venture, Aqua-

flex Medical, is to acquire the businesses of Redland Medical

and CDM Plastics, another

and CDM Flashes, another medical disposable product manufacturer. Aquaflex has been financed by Hambro European Ventures, the existing Redland management and Bespak. No shareholder has a maintin Politond is formers to

majority. Rediand is forecast to incur lower losses in 1988/9 than the £499,000 of 1987/8

controls so it was not fore-

debt provision.

Menzies shakes off problems to top £28m

The balance of £667,000 was

bearish reaction is in part a

correction - the shares had run ahead in advance of the figures - but also reflects analysts' perennial disillusion with a company which has acquired its present shape only after an apparently haphazard programme of acquisitions and disposals. Despite an extremely good performance from Hal-fords, and an increase in margins within the DIY/Homecare division in the face of difficult market conditions, people were disappointed to see a drop in profits in the US autoparts business. After all, when Whitlock was bought in December 1986, the acquisition was trum-peted as an example of Mr Birch's acquisition wizardry. At 4 per cent, growth in earn-At 4 per cent, growth in earnings per share was paltry—and this was achieved on a tax charge of 30 per cent, 3 or 4 points lower than expected. If the company makes £90m in the current year, earnings per share could climb to 30.4p on a 33 per cent tax charge, putting the shares on a prespective the shares on a prospective multiple of 8.6. Given the attractions of Halfords, it is not impossible that Ward White will end up being the recipient

warned of the impending

appointing a new managing director and it had already

appointed a new head of the finance department. Mr Ron

Maydon, chairman, said that

he would be taking a more gen-

eral overview of all aspects of

the company, in order to pre-vent a repetition of the mis-

takes of the past.
Earnings per share fell from 0.38p to a loss per share of 4.3p.

The share price fell 1p to

upheaval", with a radical

change in the structure of the

industry. Market share had actually increased, but a

squeeze on margins combined

with restructuring costs had

resulted in a drop in

The bulk of the company's business is skewed towards the

second half. The chairman, Mr

retail chains enjoyed buoyant

sales, with the eponymous stores reflecting the first benefits from the outlets acquired

from the Martin Retail Group

Earnings per share rose from 28.4p to 30.5p.

**COMPANY NEWS IN BRIEF** 

while CDM has been operating

profitably.
BLACK ARROW has formed a

joint venture company with

Brune, the German office and contract seating manufacturer.

The new company, Brune (UK), will market and distribute Brune's range of office and res-taurant products.

BHH GROUP has received clar-ification from the Inland Reve-

announcement. This increased

reported post-tax profits by

£960,000 to £4.8m and earnings

BREWMAKER has purchased Greenacre Residential Retire-ment Homes for a maximum

initial consideration of £790,000 in cash and shares. Greenacre

owns two homes in Dundee

and St Andrews and in 1988 made pre-tax profits of £114,000 on turnover of £466,000. Net assets at that date were

BROOKS SERVICE Group,lei-

sure industry services company, has acquired Bradford-hased Bowling Park Services for £800,000. BPS supplies

workwear and textile care ser-

vices, predominantly to indus-try and will join Brooks' textile

rentals division. In its last financial year it made pre-tax profits of £82,000 on turnover of £915,000.

DDT: The closing date of Vis-tec's offer was April 13 and at that time acceptances had been received and validated in

per share by 2.68p to 13.48p.

last year.

that the

The company said it was

raised in extra working and expansion capital for the enlarged group. This is taking place through a placing of 4.77m new shares at 37p with qualifying shareholdes and 4.4m under an open offer on the basis of one new share for

Motor chairman Mr John Nash, which holds 51.2 per cent of existing shares, having undertaken not to subscribe for their own entitlement.

base and who acquired a 30 per cent stake in Wiscoak two years ago - only to sell it back to Wiseoak shareholders later when his plans ran into oppo-sition - will remain as chair-

GKN has bought Ball

builders

reverses

into

DETAILS WERE announced yesterday of a reverse take-over which will leave Reliant Group, the Staffordshire-based sports car and three-wheeler maker in overall control of two building companies. Reliant is to acquire Wis-eoak Group and Belmont Homes, both involved in resi-dential and commercial prop-

erty in south-east England.
The acquisitions, which will be effected by the issue of 41.25m new shares in Reliant to Wiseoak's and Belmont's shareholders at 40p a share, puts a combined value of £16.5m on the building compa-

At present, there are only 8.86m Reliant shares in issue, so the deal will leave Wiseoak and Belmont with an approxi-mately 80 per cent holding in Reliant. It requires Reliant shareholder approval, expected to be a formality, at an

extraordinary general meeting to be held on May 16. In addition, £2.95m is being

every two existing held.

Most of these, however, are being taken up by the vendors, with the family of Reliant

for their own entitlement.

Following completion of the deal, Mr Christopher Johnson, a solicitor who is Wiseoak's chairman, will join Reliant's board as deputy chairman. Mr Carl Turpin, Wiseoak's chief executive, will also become chief executive of Reliant.

Mr Nash, who has someht for

Mr Nash, who has sought for some time to broaden Reliant's

News of the deal provoked concern in Tamworth, Reli-ant's home town, that it could herald the end of Reliant's involvement with vehicle pro-duction. However, there are no indications to date that this might be the case.

### GKN acquisition

Components, a supplier of pro-peller shafts, for an initial £550,000. Further payments of £250,000 and £100,000 are due at the ends of 1989 and 1990.

# Bass launches £150m of bonds while there is gilt shortage

BASS, the UK's biggest brewer, yesterday became the latest corporate borrower to take advantage of the shortage of new gilt-edged stock by launch-ing £150m worth of a possible f250m 27-year financing in the sterling domestic bond market. The deal is secured on its breweries and public houses. breweries and public houses. Its structure paid attention to the implications of the recent report by the Monopolies and Mergers Commission on the UK brewing industry, which recommended the separation of the brewing and public houses operations of the higgest companies.

If put into effect, these recommendations could lead to a severe reduction in the assets of Bass Holdings - the subsid-iary on which the bond is secured. Partly in response to this, the covenants provided in the bond's documentation give Bass a greater degree of flexi-bility than is usual on a

secured issue of this type.
The covenants in the bond's documentation are unusually flexible in that they commit Bass only to maintaining assets in Bass Holdings worth 1% times the value of its secured indebtedness, or 2875m ff the full £250m were issued.

If the full £250m were issued.

Mr Anthony Stern, director of treasury and tax, said even if Bass reduces the number of its on-licensed premises to 2,000 - the maximum that the report has recommended a brewer may own - Bass Hold-ings' assets would still be nearly three times this figure.
At 2250m, the deal is the
largest long-dated corporate
domestic bond launched this

sizeable bond issue secured on assets since the 1960s. It was

year, and also marks Bass' first

chase of 38 hotels in Canada. But Mr Anthong Stern, director of tax and treasury, said its timing was mainly determined by the attractive interest rates that had become available in

the market. Bass has also reduced the costs of the issue by between \$300,000 and \$400,000 by elimimating underwriting costs on the 2100m that has yet to be issued. This will be sold from time to time over the next year

as demand arises.
This marks the first time that a corporate bond has so closely mimicked the mecha-nism by which tap stocks - fur-ther tranches of axisting bonds

are sold in the gilt market.

The bond matures in September 2016. It pays interest semi-annually at 10% per cent Part of the proceeds will go towards the financing of Bass' recent C3285m (£142m) pur

# Silvermines restricted to I£3.2m

By John Ridding

SHARPLY reduced investment income and higher interest charges limited Silvermines, the Dublin-based industrial holding company, to pre-tax profits of 153.22m (£2.7m) last year, a rise of 2.7 per cent. The group is currently

undergoing a transformation from an investment company into a technology and electronics based manufacturing group and this is reflected in the sharp increase in turnover from £15.43m to £36.47m. Similarly, operating profit more than doubled to £4.26m, including a four months contri-

bution from National Broach,

the US manufacturer of gear finishing machinery, acquired for \$27m (£15.9m). This improvement was, how-ever, offset by a fall in non-re-

curring income from invest-ments, principally the sale of natural resources, property and venture capital interests. In 1988, earnings from this source plummeted from £2.08m to £248,000. In addition, the company's acquisition pro-gramme resulted in an crease in interest payments from £498,000 to £1,29m.

Earnings per share after the amortisation of 1988's three acquisitions and a £4m excep-

tional tax credit for 1987 fell from 36.1p to 6.85p. A final divi-dend of 2.5p has been proposed giving an unchanged ap total. The directors said that earnings were now more solidly based in recurring long term trading profits. With the full benefits of the recent acquisitions, particularly National Broach, coming through in the current year, they were confi-dent of substantially increased

operating and pre-tax profits. The group has recently been divided into three divisions engineering and technology. electrical and electronics and property and services.

# LVMH reiterates plans to lift Guinness stake

GUINNESS'S share price raced ahead of the market yesterday on reports from Paris that Louis Vuitton-Moet Hennessy, the French drinks group, intends to increase its 12 per cent stake in Guinness over

cent stake in Guinness over the next 12 months.
Guinness holds 24 per cent of LVMH's fully diluted share capital and Mr. Rernard Arnault LVMH chairman said that his group was considering doubling its stake in Guinness to create an entral gross shares. holding between the two com-

Guinness said it would be very happy if LVMH increased its stake. "Neither company feels threatened by the other," said Guinness. "We believe these cross-shareholdings

UK group's shares closed at 459p on reports of Mr Arnault's comments, an increase of

cement our relationship." The

comments, an increase of 17p.

However, both Guinness and LVMH pointed out that Mr Arnault was only repeating what had been said on several occasions previously and that under the original cross share holding agreement between the two companies in 1906, LVMH had an option to increase the 18 per cent stake.

As to the timing, LVMR later said that it could be within the next year, Shares would be acquired either through a capital increase or

See Lex

### Bid approach for Smaller **Companies Tst**

By John Thornhill The Smaller Companies international Trust, an invest-

ment trust managed by Edin-

share price closed 3p up at 142p yesterday. In the year to March 31 1986 its income was £1.99m (£1.13m) and pre-tax profits £817.000 (£866,000).

British Steel Pension Fund is the largest shareholder with a stake of about 29 per cent.

# Motivaction to lift Addison stake

By Ray Bashlord

MOTIVACTION. the privately owned French mar-ket research company, is pre-paring to lift its holding in Addison Consultancy, the design and market research group, to 29.9 per

Mr Jean-Louis Croquet, the president of Motivaction's par-ent company, disclosed the group's intentions following further buying through the sharemarket which has increased the stake to 21 per

Motivaction launched a dawn raid late last month and picked up 14.7 per cent of the capital in an attempt to block MAI, the financial services and

been in takeover discussions with Addison for over a month.

The French group would be stopped by the Takeover Panel from making a bid for the com-pany if it reached 29.9 per cent because of a previous statement that it not intend to bid. However, Motivaction has held discussions with the Panel in an attempt to clarify its position and create the scope for an offer if the present circum-

stances changed.

Mr Croquet is keen to hold discussions with the Addison board which is divided about the group's future. Ms Liz Nelson and Mr Tony Cowling, mainboard directors and the heads of Taylor Nelson, the

highly profitable market research arm are strongly opposed to MAL.

MAI has built up a 15 per cent stake in Addison however

it appears it has encountered

severe problems in mounting an offer, partly due to opposition within the board. The disposal of Addison's the design business would make it easier for the offer to proceed. Mr Steve Smith, Addison's chief executive, is planning a management buyout from

between £4m-£5m.

Motivaction would prefer to retain the design business and develop an integrated design and market research company, operating in several European countries.

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"Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §SUnquoted stock. †Third market. Pirish pence throughout. Carries scrip option. †Total to date

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The Financial Times proposes to publish this survey

23 MAY 1989

For a full editorial synopsis and advertisement details, please contact;

**NIGEL** BICKNELL on 01-873 3447

Number One Southwark Bridge London SEI 9HL

**FINANCIAL TIMES** 

or write to him at:

respect of 188,329 DDT ordinary (2.91 per cent). Acceptances in respect of 798,802 had been received but not validated. The offer cannot become unconditional as to acceptances and

has therefore lapsed.
HEYWOOD WILLIAMS has, through its 70 per cent-owned European holding company, acquired Glashandel Van Dam en De Koning and its subsid-iary Ramenfabriek, two Dutch glass merchants and uPVC ification from the Inland Revenue regarding the basis of tax treatment of certain items resulting in a lower effective tax charge of 35 per cent on pre-tax profits for 1988, compared with 47 per cent provided at the time of the appropriate o window manufacturers. Their combined turnover in 1988 was Fl 14m (£3.9m).

JANTAR: As a result of of purchases and after the placing of 155,943 ordinary with an institutional client, the combined interests of ETL, Mr Stephen Parris, Mr Robert Adriaansen, the beneficial owner of ETL, had increased to 50 per cent plus one share.
METAL BULLETIN sharehold-

ers were told by the chairman at the annual meeting that subscription sales for most of the company's journals were ahead of last year. The prices information service was grow-ing and was attracting considerable new business, especially in Hong Kong. NORTON OPAX has entered

into a partnership agreement with Nobema involving the ownership of two packaging businesses Rondo Belge and Packsystems, both based in

TEX HOLDINGS, the industrial components manufacturing group, has acquired the premises, plant and fixtures of CI (Polymers) from Cambridge Electronics Industries for £550,000. The business incurred losses of £269,000 in 1988.

MAGAZINE PUBLISHING

incial Times proposes to publish this survey on: 16th May 1989

Number One Southwark Bridge London SEI 9HL

**FINANCIAL TIMES** 

### advertising group, which has FROM THE 1988 REPORT & ACCOUNTS 21st CENTURY £37.5m **UP 33%** Profit before tax MATERIALS AND TECHNOLOGY **UP 20% 20.0p** Earnings per share Y-A-D-D-T 6.5p **UP 42%** Dividend per share CHAIRMAN'S COMMENTS: Good progress with integration of major. acquisitions. Significant organic growth. Competitive edge through coordinated technology-worldwide. Strong start to 1989 trading. Copies of the Annual Report and Accounts can be obtained from BRITISH VITA PLC, MIDDLETON, MANCHESTER M2420B. INTERNATIONAL LEADERS IN POLYMER, FIBRE AND FABRIC MATERIALS AND TECHNOLOGY... SERVING THE FURNISHING, TRANSPORTATION, APPAREL, PACKAGING, LEISURE AND ENGINEERING INDUSTRIES.



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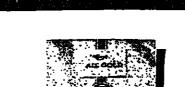
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£2.53m with help

from Red Rose

By Philip Coggan

MISS WORLD Group, the entertainments company which recently took over the Manchester-based Piccadilly Radio, yesterday reported more than doubled preliminary pre-tax profits of £2.5m for 1968.

The company was formed by the merger between the Miss World beauty contest com-

pany, run by Mr Eric Morley and by Mr Owen Oyston's Red Rose Radio chain, based in

The old Miss World group

contributed £789,000 to profits, which were reported on a merger accounting basis, com-

pared with 2659,000 in 1987. Mr

Morley, who is chairman of the enlarged group, said be was about to visit Moscow to arrange the election of the first

The Red Rose Radio chain benefited from the general

increase in radio advertising and now provides the majority of the group's profits. The pro-

portion contributed by radio will increase in 1989 as Picca-

dilly Radio is integrated into

the group.
Miss World declared its £39m

offer for Piccadilly uncondi-

tional last week after a long, and occasionally bitter, bid battle. The combined group is

now the UK's largest indepen-dent radio company outside

BECKENHAM Group, which makes, designs and installs air conditioning, electrical, heating and ventilation systems, is

to pay up to film for two com-poment companies in the same industry.

This third market quoted group is funding the acquisi-tion of Velfio and Treman.

which manufacture and dis-

tribute parts for the heating and ventilation ductwork

industry, through share issues.

105p. The remaining 303,337

The first £500,000 will be met

By Louise Lucas

Beckenham pays £1m for

1991

component companies

Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the whole of the issued and to be issued ordinary share capital of Ibex Holdings pic on the Unlisted Securities Market. Dealing in the shares of Ibex Holdings plc is expected to commence on Monday 24th April 1989. It is emphasised that no application has been made for these securities to be admitted

# BEX

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Placing by

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Share Capital

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in Ordinary Shares of 10p each

issued fully paid £1.351.428.60

The !bex Group is a successful and rapidly growing recruitment consultancy and employment agency, offering services to clients throughout the United Kingdom. It currently specialises in the placement of permanent sales and marketing staff for a wide range of industries and in the supply of temporary personnel for the construction, warehousing and distribution industries.

The second distributor is Albert E. Sharp & Co., which will place not less than 25 per cent. of the shares now being placed.

Full particulars of the Company are contained in new issue cards circulated by Extel Unlisted Securities Market Service and copies of such particulars dated 14th April 1989 may be obtained during normal business hours, up to and including 2nd May 1989 from:

Albert E. Sharp & Co. Edmund House 12 Newhall Street Birmineham

Ibex Holdings plc 11 Frederick Road Edgbaston

**Hoare Govett Corporate** 

Birmingham B15 IJB

**Finance Limited** 4 Broadgate London EC2M 7LE

B3 3ER and during normal business hours on 20th and 21st April 1989 from: The Company Announcements Office

The Stock Exchange, 46 Finsbury Square, London EC2A 1DD.

1900 April 1989

This notice is issued in compliance with the requirements of the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange"). It does not constitute an offer or invitation to any person to subscribe for or purchase any shares. Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the Ordinary shares of The Capita Group Plc, issued and to be issued, in the Unlisted Securities Market. It is emphasised that no application has been made for these shares to be admitted to listing. It is expected that dealings will commence on Tuesday, 25th April, 1989.

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**Share Capital** 

issued and to be issued fully paid £162,316

Ordinary shares of 2p each £222,400

Hill Samuel Bank Limited has arranged for the Ordinary shares made available in the Placing to be placed by CL-Alexanders Laing & Cruickshank with its clients. Full particulars of the Company are available through the Extel Unlisted Securities Market Service and copies may be obtained during normal business hours on any weekday (Saturdays and

bank hotidays excepted) up to and including 2nd May, 1989, from: Hill Samuel Bank Limited 100 Wood Street

London EC2P 2AJ

CL-Alexanders Laing & Cruickshank Piercy House 7 Copthali Avenue

London EC2R 7BE and during normal business hours on 21st April and 24th April, 1989 from the Company Announcements Office, The Stock Exchange, 46-50 Finsbury Square, London EC2A 1DD.



# **PILKINGTON**

DM 320,000,000

Issue of preference shares in

PILKINGTON Deutschland GmbH

utilised to refinance the acquisition of shares in

FLACHGLAS AG

DAHLBUSCH VERWALTUNGS-AG

We advised PILKINGTON on this financing and subscribed for a substantial portion of the preference shares.

COMMERZBANK

### UK COMPANY NEWS

# EIS ahead to £9.58m and | Miss World makes launches rights issue

EIS GROUP, the specialist engineering company, yester-day announced its first rights issue for three years, aimed at raising £12.5m to fund further acquisitions and capital invest-

The group also revealed it had increased its pre-tax profits and dividends for the 18th year in succession, making 29.58m before tax in 1988, compared with £8.3m in the previous results.

Earnings per share rose from 22.1p to 25.35p and the recom-mended final dividend of 6.9p makes 9.35p (8.35p) for the year. Turnover rose from 287.85m to £112.04m.

Mr Peter Haslehurst, chief executive, said he was particu-larly pleased with the perfor-mance of Stokes Vacuum, a US supplier of high-vacuum pumps and systems. EIS bought it as a loss-maker

in September - one of five companies acquired during 1988 - but it made a positive contribution for the four

year.
Process equipment made \$2.9m (£1.83m), aircraft and precision engineering — slightly held back by restructuring at Premier Precision—contributed £2.7m (£2.52m), and Flexibox, which makes seals and couplings for the oil industry, made £3.3m (£2.85m).

The one-for-five rights issue is being made at 2759 per share, compared with yester-day's closing price of 332p, up

Mr Haslehurst said EIS would continue with its careful acquisition programme, adding to the three existing divisions and the new vacuum and filtration division.

tor where we do not already have at least two of our top 70

EIS also confirmed yesterday that it had bought Betol Hold-ings, a Luton-based supplier of plastic extrusion equipment and systems, for up to £1.67m

EIS remains one of the best core holds in the engineering sector — a stock for investors who appreciate the virtues of steady growth, rather than those eager to make a quick killing. There seem to be few, if any, clouds on the borizon. The aircraft engineering side. The aircraft engineering side, notably the supply of purpose-built galleys to big airlines, is buoyant. Fluid seals and couplings — sold to 65 per cent of the world's oil refineries, according to EIS — will benefit from a higher oil price, despite the fact that lead times for orders rarely exceed six or eight weeks. Analysts were especially impressed by the instant turnround at Stokes We do not buy into any sec-Vacuum, underlining EIS's impeccable record on acquisitions, which are frequently made at a discount to assets. Forecast pre-tax profits of over £12m for 1989 put the shares on a prospective p/e of just under 12 — a deserved premium to

# Commercial radio merger

By David Waller

GWR GROUP - the West Country commercial radio group which joined the USM in March last year - is doubling its size via a £10m merger with the unquoted Consolidated Radio Holdings.

The enlarged group will operate a total of five radio franchises along the M4 corridor, covering an area from London to Bristol and beyond. As such, it will join Miss World as one of the UK's two largest commercial radio com-panies in terms of the number of franchises held, serving 3m.

to £896,000

fell from 8.9p to 6.76p in 1968, but the dividend is again 4p

with a final of 3.25p.
From reduced sales of £8.89m (£9m) and operating surplus

2709,000 (£929,000), pre-tax prof-

its fell from £1.17m to £896,000. Expansion outside the tradi-

tional business is continuing,

with particular reference to flexible packaging and the food

Expenditure of £1.1m has been authorised. Effects of the

investment will begin to show in higher sales in those areas towards the end of this year.

The interest rate for this

week's issue of local authority bonds is 13 per cent, up 1 of a percentage point from three weeks ago. There is no compar-ative figure from last year. The bonds are issued at par and are

mable on April 25 1990.

industry, directors said.

Yearlings at 13%

The two companies are broadly similar in terms of profitability. In the year ended September 1988, GWR made pre-tax profits of £707,000, while CRH made £719,000 in the same period. Net assets were fl.4m and f2.4m respec-

GWR operates three independent radio franchises, broadcasting throughout the Bristol/Bath and Swindon/West Wiltshire areas, as well as Plymouth and South Devon. CRH has two subsidiaries, Radio 210 - the franchise contractor in the Thames Valley - and 2CR, the contractor for Bourne-mouth, Poole and other Dorset

The aim is to expand ahead of the deregulation of the radio industry, selling to advertisers on the basis of a single region down the M4 corridor.

Shares in GWR have been suspended at 695p, valuing the company at a little over £10m. The company's equity capital will double as a result of the merger, reducing Associated Newspapers stake in the enlarged group from 26 to 14

# Finlay Pkg falls | US purchase for Unitech

By Huge Dixon Earnings at Finlay Packaging

UNITECH, the electronic components manufacturer, has agreed to buy Wells Electronics, a US manufacturer of con-nectors, for \$20m (£12m). The acquisition is the latest move in its strategy of developing critical mass in key sectors and diversifying geographi-

cally.
The purchase was financed yesterday by a vendor placing of 3.88m Unitech shares at

313p, a 5 per cent discount on Monday's 329p close. Last night the price was 321p. Elektrowatt, the Swiss energy and electronics group, took up 1.16m shares to main-

tain its 29.9 per cent stake. Wells, based in South Bend, Indiana, makes burn-in and test sockets. Pre-tax profits were \$2.4m on sales of \$17.4m last year, meaning Unitech is paying about 14 times post-tax earnings. About three-quarters of its turnover is in the US and most of the rest in the Far

East. Mr Peter Curry, Unitech's chairman, said the acquisition would not be dilutive because Wells was growing at 15-20 per

The acquisition fits into Unitech's plan of building its three main sectors - power supplies, connectors and controls - into businesses with a strong pres-ence in the world's three leading markets - the US, Europe and the Far East.

### Rolls-Rovce stakes

Rolls-Royce announced yesterday that foreign share-holders on its register con-trolled 14.6 per cent of the company's share capital and were in danger of breaching the 15 per cent Government imposed celling. Should this limit be broken, Rolls-Royce will instruct foreign shareholders to sell their excess stakes.

April 1989

# shares will be held by the ven-

PROPERTY has purchased a 9,500 sq ft mainly office freehold investment in Wardour Street, London, from The Marley pension Scheme.

for 52.73m.
BEAVERCO has sold its factory at Alfreton for £1.9m and leased it back at an annual rent of 2184.000. BENLOX HOLDINGS has sold

and planning application has been made for the site which will join Benlov's trading and development portfolio. Mr Simon Berrill, chairman, said disposal would allow group to concentrate on, and redeploy resources in its core business

and net assets of approxi-

acquired Direct Home Improve-ments for an initial £850,000 ments for an initial 2650,000 cash, with further payments over the next three years dependent on profit levels. DHI manufactures, retails and distributes designer-planned kitchens and in the year to June 25 1988 had pre-tax profits of £310,000 on turnover of £418m.

CHAMBERLAIN PHIPPS: Offer by Evode has been accepted in respect of \$13,983 ordinary (2.17 per cent) and 1,847 preference shares (0.74 per cent). Evode now owns or has acceptances untii May 3.

Stafford House, a 3,500 sq ft: freehold property in London's Mayfair for £1,38m cash.

by the issue of 455,576 ordinary shares in Beckenham, 65 per cent of which have been ven-The price tag reflects their net asset value as at March 31 1969, which is expected to be dor placed with institutions at about £750,000. **COMPANY NEWS IN BRIEF** GLAMAR GROUP is to acquire Triad Leather for an initial 2888,000 and a deferred consideration of up to £1.55m. Directors said Triad was expected to make a major contribution to

achieved pre-tax profits of

£235,000 on turnover of £4.8m in 1988. Net tangible assets

IRISH ROPES UK subsidiary, Stanley Smith and Company Plastics has acquired Milton Keynes-based Skrender and its Richard Daleman offshoot for

£1.12m, financed by borrow-

ings. NSM has bought Norman Ver-non for £1.1m cash and has

made it loans of a further £1m\_

Eric Moriny, off to Moscow

Profits in 1988 were boosted

by an exceptional credit of 2575,000 mainly relating to the sale of shares in independent

radio stations. There was also an exceptional debit of £317,000

an exceptantal detail is latiful relating to the costs of unsuccessfully defending Red Rose against the bid by Mr Cyston, which enabled him to regain

Turnover for the group was £8.41m (£6.71m). After tax of

2602,000 (£339,000) and minority

interests of £188,000 (£128,000)

earnings per share were 27.5p (12.6p). The final dividend is

being increased to 8p (6p) making a total of 10p (8p).

does for at least one year.

Balance of the consideration

will also be satisfied by an issue of shares. A further payment could be made if the com-

panies reach profit targets in the two years to October 31

The two companies sus-tained a combined loss before tax of \$218,900 in the year to

March 31 1988. However, Mr Christopher Egleton, the chair-man of Beckenham, said he

expected them to make a sig-nificant contribution to the

group's distribution division.

control of the company.

totalled £385,000.

profits and have a significant effect on earnings per share in the current year. Triad

Carr & Day & Martin for £1.9m cash. Beniox will retain prem-ises at Great Dunmow, Essex

BET has acquired Bailee Bri has acquired banee Freight Services Group, a spe-cialist tank container com-pany, for an undisclosed sum. Ballee has revenues of £12m

mately £2m. BREMHILL INDUSTRIES has

totalling 231m ordinary (6.14 per cent) and 1,847 preference. The offers have been extended CITY SITE Estates has bought

Norman Vernon manufactures timber and plastic products for the building industry and also operates a home improvement and garden centre. Its pre-tax profits for the year to November 30 were about £300,000 and its net assets at the time of acquisition were about £1.8m. It will as Bison. SYSTEMS RELIABILITY has acquired Hastings-based South East Computers for an initial 2750,000 in cash and shares. Deferred consideration may Deferred consideration may become payable based on a multiple of eight times SEC after-tax profits for current year to end-1989, less initial consideration. In 14 month period to December 31 1988, SEC posted taxable profits of £181,129 on turnover of £8.7m. Net assets at that date amouted to £136,786.

amouted to £136,786.

WAGON INDUSTRIAL Holdings has, through its Moresecure subsidiery, acquired Surman. Industries, a
Birmingham-besed specialist in
the manufacture of bases for
mobile storage systems, for
£220,000 cash.





INVESTORS IN INDUSTRY GROUP PLC. ac. in England under the Companies Acra 1948 to 1967, Reg. No. 1142830

£75,000,000 Floating Rate Notes 1994 For the three month period 17th April, 1989 to 17th July, 1989.

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest has been fixed at 1314 per crat. per annum and that the interest payable on the relevant interest payment date, 17th July, 1989, against Coupon No. 19 will be £1,651.71 from Notes of £50,000 nominal and £165.17 from Notes of £5,000 nominal.

S.G. Warburg & Co. Ltd. (Agent Benk)



This announcement appears as a matter of record only

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#### **UK COMPANY NEWS**

## Hammerson in line with bid forecast at £75m

HAMMERSON PROPERTY and HAMMERSON PROPERTY and Development Corporation, Britain's third largest property group, yesterday announced profits before tax in the year to end-December of £75.1m, up from £54.3m in the previous 12 months. Accompanying the figures, was news of a 48 per cent dividend increase at 17p a share for the year, after a final of 14p.

In terms of net asset value, Hammerson says that the for-mal accounted figure is £10.08, compared with 650p in 1987. This, however, is after taking trading and development properties at the lower of cost and net realisable value. Including development and trading revaluation surpluses, but still adjusting for the costs of the bid defence and other audited adjustments, the figure would be £10.58.

During the bid, Hammerson suggested an estimated net asset value – adding in a trad-ing and development property revaluation surplus – of

profits before tax in the year to end-December of £75.1m, up from £54.5m in the previous 12 months. Accompanying the figures, was news of a 48 per cent dividend increase at 17p a share for the year, after a final of 14p.

The figures, however, were the figures, however, were cast by the company during the £1.3bn bid battle with the Dutch Rodamoo group earlier this year. At the time, Hammerson said that it expected pre-tax profits of £74m, and a dividend increase exactly in line with that which emerges.

Like the profits figure, earnings per share are marginally ahead of the forecast at 31.62p, up 35 per cent on the previous year.

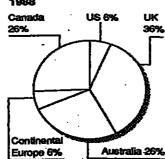
Lite the year and the provious year and the overseas properties the next.

The investment portfolio overall is valued at £2.35bn income rose from £75.9m to £92.2m, while gross profits.

(£1.63bn).
During 1988, net rental income rose from £75.9m to £92.2m, while gross profits from property trading increased sharply at £22m (£5.14m). The bulk of the latter figure — around £20m — is accounted for by the first tranche of the proceeds from the sale of River Plate House in the City to the Japanese Yasuda Life fund.

Hammerson says this represents just over half the total River Plate House proceeds, with one further tranche due to fall in the current year. However, it concedes that, overall, it will be "struggling to its voting rights.

Net rental income



match" the trading profits fig-ure in the current year, although longer-term the aim is to have 15 per cent to 30 per cent of profits from this source. Below the line, there is a £9.16m (£14m) extraordinary item, comprising bid costs of some £10m offset by profits on the disposal of some investment representation

ment properties.

The company said that relations had now resumed with Standard Life, the Scottish institution, which increased its other than a warmed 20 per cent of stake to around 29 per cent of the voting rights during the bid, and which has a boardroom seat at Hammerson. It added that it believes Rodamco still holds around 3 per cent of

#### Elliott buys four Williams Holdings businesses for £22.4m

B ELLIOTT, the engineering range of electronic and electronic, is reducing its dependence on machine tools and south African subsidiaries

They were originally earwith the £22.4m acquisition of four specialist engineering businesses from Williams Hold-

ings.

The acquisition — of MTE, Philidas, Integrated Photomatrix and Printed Motors — will be partly funded by a share placing to raise £17.9m, following an £8.7m rights issue last Sentember

The balance will be met by a payment of £4.5m in cash, pushing Elliott's gearing up to about 20 per cent. Elliott has estimated it made

at least £4.4m before tax in the year to March 31, compared with £2.23m in the previous 12 Earnings per share for the year are estimated at 10p (5.69p) and the group will probably recommend a final dividend of 2.5p, making 3.6p (3.3p)

for the year.

Mr Michael Frye, group chairman since 1987 – when about 89 per cent of profits came from South Africa – said the acquisitions of attributable

the proportion of attributable profits coming from the country to below 15 per cent.

MTE, Integrated Photomstrix and Printed Motors are iaries. involved in the design, manu-

They were originally earmarked for sale by Pilgrim
House Group – an electrical
and electronics company
which was created from a
merger between Ransome Hoffman Pollard and Burgess early
last was the beauty by last year, only to be bought by Williams in October. Together they made £2.4m before management charges, exceptional items, interest and tax in the

year to September 30, on sales of £22.7m, and had combined net assets of £10.6m.

The share placing will be open to shareholders on the basis of one new ordinary share for every two held, at 100p a share, compared with esterday's closing price of 110p, down 1p. Extraordinary losses at the

grinding machine tool factory cut £1.25m from Elliott's after cut £1.25m from killott's after tax figures during last year, but despite this the group returned to profit at the attrib-utable level, having made losses of £1.88m in 1987-88. About 50 per cent of last year's turnover came from alectrical and gracialist engi-

electrical and specialist engi-neering, 35 per cent from machine tools and 15 per cent from South African subsid-

The results should be facture and distribution of a announced formally on May 17.

#### Boosey & Hawkes up 82% to £1.77m

of the profits were earned by the publishing side but the

instrument manufacture. stability of currencies could On turnover of £41.37m affect this year's results.

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little on his biggest customer's

Boosey & Hawkes, the music (£41.17m), taxable profits were publisher and instrument £1.77m (£973,000). Earnings per maker, reported pre-tax profits share were 31.5p (15.7p) and a 82 per cent higher in 1988. Most proposed final dividend of 7p makes a total of 10p (3p).

The directors warned that main improvement came in the strength of markets and

Preliminary announcement of results for the year ended 31st December, 1988:

	to Burney and sections	
_	1988	1987
	£,000	£000
Turnover	169,770	126,671
Profit before tax	6,256	2,613
Profit after tax	5,333	2,416
Earnings per share	65p	29p
Dividend per share	11p	5.5p

Extract from the Chairman's statement to shareholders: "all main activities increased their contribution... buoyant trading conditions in our sector of the industry ...Conder is exceptionally well placed to take advantage ... 1989 has got off to an excellent start."

For details of our services or shareholder reports, please contact Liz Atlanson, Kings Worthy Court, Winchester, Hampshire 5023 7QA. Telephone: 0962 882222.

## CONDER GROUP PLC

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## Tie Rack advances to £3.12m despite weak January sales

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in the year to end-January. This was achieved after finance costs of £503,000, against £239,000 net invest-ment income in the previous

Turnover increased by 49 per cent to £44.6m (£29.8m). Operat-ing margins were virtually unchanged at 8.5 per cent after estimated start-up costs of £350,000 relating to the company's expansion in North America, Europe and Austra-

over in the current year was encouraging. Like-for-like retail sales growth worldwide was currently running at 10 per cent, the same level as was achieved during the last

Nevertheless, in view of the economic environment, expan-sion plans would be more cau-

19th July 1989.

- --

TIE RACK, the specialist tious this year. Some 35 to 45 increased capital base, earn-tender of ties and scarves, yes terday announced a 17 per cent including a first-time expansise in pre-tax profits to £3.12m sion into West Germany and set at 0.865p making 1.33p Sweden, compared with a net increase to 46 shops in the last

Mr Bishko warned also that

The number of UK outlets performance in a worsening increased from 114 to 125 durenvironment. But what does ing the year. By the end of the period, there were 31 (11) stores in the US, 23 (22) in Canvide information on the crucial

Just 11 of the non-UK shops are franchised at present, but a substantial franchising programme should get under way in 1990.

After a 30 (40) per cont to the shops and the shops are continued in the shops are franchised at present, but a substantial franchised at under way in 1990.

After a 39 (40) per cent tax charge, and held back by the

US\$100,000,000

MARINE MIDLAND BANKS, INC

**FLOATING RATE** 

SUBORDINATED CAPITAL NOTES

For the three months 19th April to 18th July 1989 the Note will carry an interest Rate of 10% per

cent per annum with a Coupon amount of US\$262.26 per US\$10,000. Interest payment date

ings per share rose to 5.53p (5.07p). The final dividend is set at 0.865p making 1.33p (1.21p) for the year.

the interim results, normally seasonally depressed, would be held back by the costs of investment for expansion, such as the establishment of centralised European warehousing facilities in West London.

The number of UK outlets

There are no worries about the attractions of Tie Rack's good quality product range, the ever-improving design of its retail outlets, or the advantages of its franchising policy. From a trading point of view, it has put in a very creditable performance in a worsening rose from 14 per tent to 27 per stores in the US. 23 (22) in Cancent of the total and a 12 (8) in France 8 (3) in Mr. Roy Bishko, chairman, Australia, 6 (5) in Eire, 3 (1) it is — doubtless — wisely said although January sales in Holland, and 3 (1) in Normany. Of the overseas operations, only Australia traded at a profit.

Just 11 of the non-UK shops are franchised at present, but a substantial franchising proputting the shares on a pro-spective p/e of 11. They have no short-term attrac-

#### Triangle ceases toymaking

REFLECTING A difficult year, Triangle Trust reported a loss of £314,000 for 1988, compared with a profit of £268,000 and announced that toymaking announced that tolymaning would cease. It will concentrate on marketing and distribution using the Triang name. Most of the properties will be sold.

sold.

Mr Rupert Hambro, who became chairman last November, said the steps taken should lead to a significant turnround in the current year, and ensure a return to profitability.

The power rose to 511m.

Turnover rose to £11m (£9.29m).

RF Development was closed as it could not trade profitably. Its loss and other costs amounting to £306,000 (payments to retiring directors £319,000) were taken above the line.

line.
Mr Hambro said Elliott Bay-ley, financial services, had a reasonable year. It has signed agreements to acquire the com-plementary Surray hased Conplementary Surrey-based Con-rad Statham for £400,000, comprising £125,000 cash and a £275,000 unsecured convertible

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flicking through newspapers are often accused by their colleagues of

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#### Johannesburg Consolidated Investment Company, Limited

Group Gold Mining Companies Summary of reports for the quarter ended 31 March 1989

#### Randfontein Estates

	Quarter ended	
	31.03.89	31.12.8
Ore milled: tons (000)	2165	210
Yield: grams per ton	2,90	3,3
Working cost - per ton milled	R77,22	R80,1
•	<u> 19000</u>	<u> 1900</u>
Profit from gold	29 659	54 12
Profit from uranium	799	2210
Net sundry revenue	6 521	517
Net profit after tax	31 948	55 09
Capital expenditure	11 391	66 12°

		٨	line months
	Quart	er ended	ended
Gold production	31.03.89	31.12.88	31.03.89
From underground			
Tons	1 755 000	1779000	5346000
Grade-grams perton	3,44	3,79	3,63
From surface sources			
Tons	410 000	329 000	1 005 000
Grade-grams perton	0,58	0,67	0,59
Working costs			
Cost per ton milled—underground	R91,92	R92.60	R89.83
Cost perton milled – surface	R14,15	R13,04	R13,78

**GOLD PRODUCTION** 

The lower recovery grade was the major reason for the decrease in production to 6 279 kg (6 956 kg). Lower grades were encountered at all shafts other than Cooke No. 3.

The build-up of production from Doornkop No. 1 Shaft continued as planned and 337 000 tons (293 000 tons) of ore from this source were treated. Grades encountered at this shaft have been lower than expected and this situation is likely to continue for approximately 12 months pending the full establishment of the mining plan.

Part of the uranium stock was sold during this quarter. The balance on hand will be sold during the

#### Western Areas

	Quarter ended	
	31.03.89	31.12.88
Ore milled: tons (000)	1 007	980
Yield: grams per ton	3,23	3,18
Working cost - per ton milled	R111,83	R112,71
	<u> </u>	<u> 2000</u>
Loss from gold	8 901	10 572
Profit from uranium	3 535	2722
Net sundry revenue	3 937	5 758
Net loss	1 429	2 092
Capital expenditure	10 622	10 705

		λ	line months
	Quarte	er ended	ended
Gold production	31.03.89	31.12.88	31.03.89
From underground			
Tons	<b>855 000</b>	908 000	2661 000
Grade-grams per ton	3,61	3,38	3,61
From surface sources			
Tons	152 000	72 000	290 000
Grade-grams per ton	1,04	0,67	0,86
Working costs			
perton milled from underground	R128,88	R120,21	R123,06
per ton milled from surface sources	R15,89	R17,73	R16,79
-			

95 TWIN HAULAGE DEVELOPMENT TO SOUTH DEEP The twin haulage has been advanced a total of 1 000 metres (700 metres) towards South Deep

#### H. J. Joel H. J. Joel Gold Mining Company Limited

	Quarter ended	
	31.03.89	31.12.88
Ore milled: tons (000)	79	46
Yield: grams per ton	3,2	2,8
Capital expenditure (R000)	21 920	31 971
Reef metres sampled	318	411
Average reef width: cm	44	30
Grade – grams per ton	21,6	19,6
Centimetre-grams per ton	950	588

PLANT EXPANSION

Construction to expand the metallurgical plant to 80 000 tons per month has commenced and is on schedule to meet the planned ore arisings.

STOPING OPERATIONS

During the quarter 53 565 tons (23 607 tons) were broken. SHAFTS

Equipping of No. 45haft will be complete in May 1989. SURFACE INFRASTRUCTURE

All major items planned in Phase I have now been commissioned.

19 April 1989

Elsburg Gold Mining Company Limited: Shareholders are advised to study the operating results of Western Areas Gold Mining Company Limited

Quarterly reports have been mailed to the shareholders of each company. Copies of the reports may be obtained from: Barnato Brothers Limited, 99 Bishopsgate, London EC2M 3XE

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It does not constitute an invitation to any person to subscribe for or purchase any shares.

#### THE GUIDEHOUSE GROUP Pic

(Registered in England No. 1383865) Rights Issue of

2,686,600 new 8.5p (net) Convertible Cumulative Redeemable Preference Shares 2006 of 50p each at £1 per share

Permission has been granted by the Council of The Stock Exchange for 2,688,600 new 8.5p (net) Convertible Cumulative Redeemable Preference Shares 2006 of 50p each ("Convertible Preference Shares") to be dealt in in the Unlisted Securities Market. It is emphasised that no application has been made for these securities to be admitted to listing.

Copies of the particulars relating to The Guidehouse Group Pic and the Convertible Preference Shares may be obtained during normal business hours up to and including 9th May, 1989 from the Company Announcements Office, The International Stock Exchange, 48 Finsbury Square, London EC2A 1DD and during normal business hours on any weekday (Saturdays excluded) up to and including 9th May, 1989

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Details of the Convertible Preference Shares will be available in the Extel Statistical Services from

19th April, 1989

#### **UK COMPANY NEWS**

Court sanctions creation of Europe's largest packaging group

## MB's French merger to proceed

By Raymond Hughes, Law Courts Correspondent

MB GROUP can go ahead with the planned £900m merger of Metalbox Packaging, its packaging subsidiary, with Car-naud, the French packaging

The High Court yesterday sanctioned the scheme which will lead to the creation of Europe's largest packaging

group.

The decision ended weeks of uncertainty about the future of the Anglo-French merger, which at one stage had seemed unlikely to get the court's approval. That was because the judge, Mr Justice Harman, had been worried that the scheme involved a breach of MB's contracts with the holders of its

16.6m warrants.

The scheme, supported by an overwhelming majority of MB's shareholders, had been opposed by Elders Invest-ments, a subsidiary of Mr John Elliot's Elders IXL, the Australian, brewing, farming and

finance group.

In addition to holding 5 per cent of MB's ordinary shares, Elders held a blocking 25.06 per

By Vanessa Houlder

BODYCOTE International, the

metal technology, packaging and textiles group, yesterday announced a 25 per cent increase in 1988 pre-tax profits from £8.06m to £10.08m. Turn-

over increased 10 per cent from £61.37m to £67.46m. Mr Joe Dwek, chairman,

warned that the group could be affected by a possible down-turn in the business cycle in

the second half of the current

year. The outcome would

depend on the UK economic climate, although the group

had a sufficiently wide spread of interests to cope with this

eventuality, he said. The metal technology divi-

sion increased pre-tax profits by 65 per cent to £3.82m. Most

of the gain was due to organic growth but the group also ben-efitted from the acquisitions in the second half of Furnace

Treatments, Firth Metal Pro-cessing, Farnworth Chromium

entitled it to buy another 1.2 offered to buy Elders out at per cent of the shares. It pointed out to the court that the scheme involved a hreach by MB of covenants in its contracts with warrant holders to keep available enough unissued ordinary shares to satisfy warrant holders' rights, and to use its best endeavours to maintain a Stock Exchange listing for its ordinary shares.

MB admitted the breach but pointed out that alternative options it had offered its warrant holders had been accepted by almost all except Elders.

After the four-day hearing had been completed and the judge was considering his decision, the situation was changed when Elders agreed to sell its entire interest in MB for about £74m to Compagnie Generale d'Industrie et de Participations (CGIP), controlling shareholder in Carnaud.

The agreement was conditional upon the scheme being sanctioned by the court.

When the development was reported to the judge last week he was told that CGIP had

Bodycote climbs to over £10m

Plating and Härterei VTN, a West German heat treatment

Industrial safety products

moved ahead 21 per cent to £392,000, while packaging increased profits by 27 per cent

Profits from protective cloth-

ing dropped 2 per cent to £1.94m after its workwear busi-

ness moved into loss following

computer problems.

The textile division saw a 40

per cent drop in profits to £768,000. The fall was blamed on the industry-wide downturn in demand, due to the strength

of sterling, high level of imports and sluggish demand. Capital expenditure was

expected to be maintained at

£4m this year. Gearing stood at

20 per cent. Return on capital

employed increased from 35.6 per cent to 36 per cent.

Earnings per share increased won expert to 27.4p (21.7p). The dividend is downturns.

above the market price because it feared that Elders' opposition to the scheme might lead to the court refusing its

Yesterday's judgment made it clear that the fear had been well founded.

Mr Justice Harman said that after considering Elders' objec-tions he had reached "the ten-tative conclusion" that he should refuse to sanction the scheme "because to do so would be lending the court's aid to MB acting in serious breach of its obligations to

However, before he had finally formulated his judgment, there had been the "remarkable development" of

Elders' agreement to sell to CGIP and the withdrawal of its opposition to the scheme.

That, the judge said, had produced a radically different set of problems for the court. due to there then being a sin-gle warrant holder, with 3,320 warrants, who had not taken part in the case and whose con-sent to the scheme had not

increased 40 per cent to 7p (5p)

note of caution. If the economy

is heading for trouble, it will take a toll on the packaging and textiles businesses, even though the core metal technol-ogy business should show

more resilience. Accordingly,

an apparently undemanding film has been pencilled in for this year, which puts the shares, unchanged at 296p, on a prospective p/e of 10. That seems reasonable value, given

the management's reputation for shrewd deals and its hard-

won experience of previous

through a final of 4.25p.

COMMENT

been obtained. MB had argued that that was mn nan argued that that was a trifling matter and said that it would offer that holder the same terms as had been offered to the remaining warrant hold-ers other than Elders.

"I have been concerned about this point since in my judgment the court should not take the view that because large institutions want some agreement to be performed therefore the interest of the lit-

tie man should be swept aside. "It is the business of the court to ensure that transactions are fair to all persons and, in a free world, the court will not assist in the destruc-tion of rights against the will of an individual on the ground that his unwillingness can be solaced by money.

However, the judge said, last Monday he had been told by MB that the outstanding warrant holder had been traced and persuaded to sell his warrants to MB. rants to MB.

"I am thus left with no live objection to the sanctioning of the scheme," he said.

#### Lincoln House maintains its recovery

Lincoln House, the USM-quoted company formed in May 1988 from the reconstruction of the troubled William Morris Fine Arts and the Is Bodycote's era of vibrant organic growth - reflected in a ten-fold profits increase over the last six years - drawing to acquisition of Sherwood Furni-ture, continued its recovery in the second half, reducing its a close? Its main businesses pre-tax loss from a restated £787,000 to £316,000. are still performing strongly but Mr Dwek has sounded a

In the year to end-December the company, which manufactures wallcoverings and cast-ings of fine arts sculpture, made an operating profit of

£172,006 (£292,000 loss).

Turnover rose 8 per cent to
£15m while net interest payable fell to £311,000 (£470,000).

After an exceptional debit relating to rationalisation costs relating to rationalisation costs of £177,000 (£25,000) and a tax charge of £89,000 (£56,000) the loss per 5p share was left at 0.49p (1.81p).

Mr lan Topping, chief executive, said all group operations were in significantly better

shape than a year ago.

#### Acquisitions help Ward rise 66% to over £7m

By John Thornhill

STRONG DEMAND in the construction Industry and acquisitions helped Ward Group, the Yorkshire-based structural steel and building components company, lift pretax profits by 66 per cent to £7.17m in 1988, compared with £4.51m the previous year.

Turnover rose by 70 per cent to £127.71m (£75.14m) and

Turnover rose by 70 per cent to £127.71m (£75.14m) and earnings per share advanced to 21.7p (12.6p), an increase of 72 per cent. A final dividend of 3.6p is proposed which will make a total of 5.4p (4.3p). Ward has interests in three main areas: steel construction accounts for 38 per cent of

accounts for 36 per cent of turnover; building components 39 per cent; and curtain wall-

ing 25 per cent.
The company operates from 17 locations in five European countries and is planning to expand into Spain and Italy. Mr Nigel Forsyth, chief exec-utive, said Ward Building Systems, the group's largest subsidiary, had performed excellently in 1988, achieving record sales and profits. By August, a new factory will come into operation with a capacity to produce 35,000 tons of structural steel a year.
In January, Ward bought
the Belgian curtain wall company, Chamebel. Mr Forsyth
said it had taken much time

said it had taken much time and effort to restructure and revitalise the company and return it to a small profit. But he said it had "been well mended" and had received orders worth £32m in 1988.

Storefronts, a company which manufactures door and screen systems for the shop fitting industry, was set up in

screen systems for the shop fitting industry, was set up in March and achieved projected targets. Substantial growth is planned and a Brussels base will be opened this year.

During 1988 Ward spent \$4.7m on capital expenditure and is planning to invest about \$12.8m in 1989.

about £12.8m in 198 Mr Forsyth said the com-pany's order books were

pany's order books were encouraging and significant growth still lay ahead. although the UK construction market would probably not be as buoyant this year as it had been in the last few years.

## New venture fund established

By Charles Batchelor

market listing has been set up by eight large British institu-tional investors.

Knightsbridge Integrated Holdings (KIH) intends to con-centrate on US technologybased companies which show very fast rates of growth. It has raised an initial \$13m (£8m) but plans to increase its funding to \$50m later this year and bring in other international. but non-US, investors. KIH is domiciled in Guernsey and its shares are listed on the Luxem-

bourg Stock Exchange. Venture capitalists concentrate on maximising the value of their investments up to the point of flotation but neglect the potential of companies once they have obtained a pub-

lic listing, said Mr Joel Rom-ines, a director of KIH. You can have a super com-

Wm Sindall

to £2.66m in 1988.

rises to £2.66m

A FUND which will specialise pany go public with each in investments in venture capital-backed companies after they have obtained a stock when the venture capitalist investors include PosTel, the Post Office pension fund, Clerical Medical insurance Group, and Commergets his allocation of shares be just sells them and the share plunges in value."

If investors devoted more attention to technology compa-nies in the first three or four years after flotation they could benefit from the sharp rises in value which are common, he A survey of just over 100

technology companies showed that 26 per cent earned rates of return of 90 per cent or more between two and four years after flotation while 17 per cent earned returns of 60 to 90 per KIH will invest half of its funds in US venture capital

funds in order to keep an eye on potentially high-flying com-panies and put the other half panies and put the other naminto these companies when they come to market.

cial Union. The idea for KIH came from

Knightsbridge Advisers, a sixyear old company which advises UK institutions on investments in US venture capital groups.

KH's post flotation portfolio will be managed by Amerindo Investment Advisers, which is based in London and California. Security Pacific Eurofin-

ance has launched a Smaller Companies Acquisition Fund to provide loan capital to finance small-scale acquisitions, buy-outs and buy-ins of private companies. Deals would typically be val-

ued at between £500,000 and 23m - transactions which are usually regarded as too small by City-based banks and as too risky by clearing banks.

William Sindall, building and civil engineering contractor, lifted taxable profits from £1m

The chairman said that the proceeds of last July's rights issue together with property realisations and the successful conclusions of joint ventures led to "significantly lower short-term borrowings" which provided a "springboard for continued growth". Turnover expanded 35 per

cent to £61.35m (£45.37m). Earnings per 5p share were 28.42p (15.74p) and the recom-mended final dividend of 4p makes 5p (3.1p) for the year.

#### Capita placing

Capita Group, a management consultancy specialising in the public sector, yesterday announced details of its placing on the unlisted securities market.
Two million shares are being

placed at 100p, capitalising the company at £8.1m. 16.6 per cent of the share capital is being placed on behalf of the company and a further 8 per cent is being placed on behalf of existing shareholders. Dealings are expected to start on

#### Blue Arrow stake

Chicago-based investment group, has increased its stake in Blue Arrow, the world's largest employment agency. Harris, which announced a 6.18 per cent stake on April 4, has raised its holding to 7.16 per

## ICI buy-out in Spain

is strengthening its position in the Spanish pharmaceuticals business by taking over full control of ICI-Farma, its Span-ish drugs subsidiary. Up to now ICI-Farma has

been owned jointly with Zeltia, a Spanish chemicals business with interests in agrochemicals and paints. The purchase of Zeitia's 50

Due 1995

Interest Rate:

£5,000 Note due 18.07.89: £163.61

£50,000 Note due

18.07.89: £1,636.13

Agent Bank Baring Brothers & Co., Limite

IMPERIAL Chemical Industries per cent stake, for a price ICI is not willing to disclose, is part of the company's strategy of attempting to switch more resources towards high-value areas of chemicals such as drugs, and away from commodity synthetic materials.
ICI and Zeltia have operated

their joint drugs business in Spain since 1964. Sales in 1988 were £13m.

#### SPONSORED SECURITIES **10.3** 3.2 8.5 4.8 6.1 -5.4 9.7 10.2 -41 46 84 176ad 178ad 110 43 105 9.4 3.1 8.5 110 387±1 122 135 16.1 2.4 14.9 3.3 | 103 | 104 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 1.9 38.4 3.4 9.7 7.2 5.6 9.4 395 355 Veterinary Drug Co. Plc., Securities designated (SE) and (USAD are dealt in subject to the rules and regulations of The

These Securities are dealt in strictly on a matched bargain basis. Relater Lisalted nor Grannille Davies Limited are market makers in these securities se Securities are dealt. In strictly on a matched bargain basis. Reither Gramille & Co

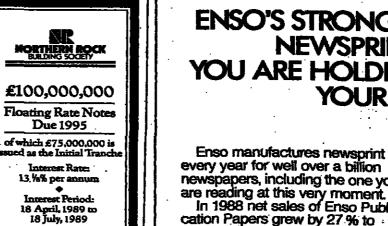
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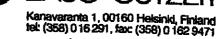
232 million Pounds\*. Sales output grew to 700,000 tonnes.

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#### **UK COMPANY NEWS**

## Restructuring paying off as Conder leaps to £6.3m

CONDER GROUP, the said they reflected "notable Winchester-based company which provides services and products for the construction lowing last year's restructure. industry as well as being involved in property development and environmental protection, yesterday reported pre-tax profits sharply higher at \$5.25m for 1988.

The advance from the £2.61m achieved in the previous year was struck on turnover ahead 34 per cent to £169.77m (£126.67m). After tax and minorities, earnings leapt from 29p to 65p per share, and the total dividend is doubled to 11p via a proposed final of Sp.
Describing the results as a "huge stride forward", Mr Christopher Stewart-Smith, a former director of P & O who took the Conder chair in 1987,

lowing last year's restructuring."

This took the form of organising the group nationally by
activity, rather than the former regional structure. Mr
Stewart-Smith said that the
four main activities – developments, projects, specialist contracting and products and sertracting and products and serracting and products and services — all increased their contributions to group results, with "accelerating performance in the second half".

Referring to the projects side, he said that a sales push during the year resulted in a strong inflow of orders of increasingly average value. increasingly average value. The group expects turnover to more than double in 1989.

The specialist contracting activities benefited from concentrating on service and margins. Export presence was maintained with contracts for steel framed superstructures in China and the Soviet Union. Since the year-end, Conder has purchased the outstanding 25 per cent of the share capital of Elementa, a supplier of curtain

The products operations increased sales of pollution control tanks and separators.

Mr Stewart-Smith said the our Stewart-Smith said the group would continue the pro-cess of increasing sales at enhanced margins through good service and value for money. "Our industry currently shows unusual scope for innovation and growth" he added.

Hatebessiontein

Low-grade gold plant Oremilied.....

Financial results
Working problegoid .......
(Loss) from sales of uranium cards, pyrite and

Profit before taxation and State's share of profit...... Taxation and State's share of profit.....

Profit after taxation and

Capital expenditure.....
Appropriation for loan

Quarter ending

Capital expenditure

Gold Mining Co Lid

Reg. No. 05/3926/06 lesued capital: 112 000 000 shares of 10 cents each

307,26 160,91 145,35

<u>65 732</u>

11 623

11 823

10 135

In terms of the Company's articles of association, the directors' borrowing powers are limited to R50 000 000. At 31 Merch 1989 borrowings totalled R7 683 000 (1988 : R6 307 000) of which long-term borrowings arrounted to R6 962 000 (1988 : R7 819 000) and short-term to R701 000 (1988 : R488 000).

In addition, the Company had, at 31 March 1989, sold a portion of its future gold production as detailed below:

The forward pice has been calculated at the R/S exchange rate ruling on 31 March 1988.

Interim dividend No. 68 of 80,0 cents per share, declared in November 1988 was paid in January 1989.

Pitesko Copper Mines Lid

ed captal: 54 000 000 shares of 50 cents each

xital expenditural (recoupments) ..

nding commitments at 31 March 1989 are estimated at R22 088 000 cember 1988 : R18 705 000).

Oximter ended 31 Dec 1986

R000 (411) 920 509 710 (201)

(100)

(218)

Nine months

ende. 31 Mar 1989

1 000 000

2 283

## profit to £2.6m

HYMAN, engaged in the manufacture of foam and the operation of a frozen foods business, lifted its pre-tax profit from a restated £2m to £2.6m for 1988.

Mr John Webb, chairman, said the result was achieved despite reorganisational costs

despite reorganisational costs of replacing the reconstituted foam production, the cost of withdrawing from certain unprofitable business relating to the carava industry, and of integrating acretic accurity. integrating certain acquisi-

Results included Ryburn Foam and Unger Trading. The comparisons were adjusted for those and the losses of United Foam (UK) and Woodward Food Halls.

Turnover rose to £49.2m (£31.78m). Rarnings were 3.1p (3.15p) and the final dividend is 0.9p for a total of 1.8p (1.7p).

## Hyman lifts | Casket pegged to £1.7m in first half as demand suffers

ADVERSE factors have hit Casket, the clothing maker and distributor, in the first half. The interim dividend, however, is held at 1.2p from earnings of

In the six months ended December 31 1988 turnover came to £57.81m and the pre-tax profit to £1.7m. The reported figures for 1987 were £52.24m and £3.03m, but the directors were not using them. directors were not using them as a strict comparison. Lord Barnett, chairman, said unusually mild weather, particularly in the last quarter of 1988, led to a reduction in sales

of outerwear and quilted prod-ucts, which formed a significant part of turnover. The clearance of excess stocks eroded gross profit mar-gins and that will continue to be the case for the rest of the financial year, he said.

On top of that the situation

was compounded by the signifi-cant increase in interest rates; therefore, priority will be given to reducing stockholdings and borrowings.
Referring to the 1987 half year, Lord Barnett explained that the directors were of the

opinion that figures did not present a basis for informed assessment of the trend of the group's activities, because of the serious discrepancies sub-sequently discovered in the management accounts of cer-tain Kingsley & Forester sub-sidiaries. For the whole of 1987 group figures were restated -turnover was £95.27m and

profit £3.44m.
Lord Barnett recalled last year's statement that the directors were considering whether the company had any claims against former directors of Kingsley & Forester and/or its

He now reports that writs have been served in relation to a contract between Kingsley & Forester and a third party. Writs were being prepared relating to an action concern-ing published financial infor-mation which formed the basis

mation which formed the basis of the acquisition by Casket of Kingsley & Forester.

The chairman said it was disapponting that the 1988 half year did not fully reflect the fundamental improvements being achieved in merging the

two groups.

Planned centralisation of the headquarters at Gorse Mill was taking place and the current head office at Mariborough House will be sold. Bloom and Tremaine had been closed and the offices and warehouse in Leeds were on the market. Townsend Cycles had acquired additional premises for expan-

All financial figures for the quarter and progressive figures for the current year to date are

#### **Rock moves** back into profitabilty

IN WHAT proved to be "a very important year" according to Mr Oswald Dockery, chairman, Rock has returned to profitabil-

Rock has returned to profitability and can look to the future with encouragement.

Following the capital reconstruction the company will be in a position to pay a dividend, subject to satisfactory profits, he said.

Turnover fell from £5.12m to £4.92m, but there was a turn-round from a loss of £289,000 to a profit of £109,000. That led to Below the line there was a £645,000 loss arising on the disposal of the heavy engineering subsidiaries. The £1m profit on sale of freehold properties had not been accounted for.

Rock distributes engineers' and motor trade consumable supplies and products, and airconditioning equipment.

#### Polymark progresses with rise to £1.39m

Polymark International, the supplier of laundry equipment and labelling systems, yester-day announced a forther step in its recovery from the losses incurred in the early 1980s. In the year to end-December, pre-tax profits amounted to

£1.39m - an advance of 54 per cent on 1987's outcome of £902,000, which in turn repre-sented a sixfold increase on the previous year. Mr Len Weaver, chairman, said: "All major parts of the

group made steady progress with the laundry division increasing market share and achieving higher profits." Profits in the division rose to £335,000 (£250,000). The technographics side

reduced its loss from £156,000 to £23,000, while the French operation had another record year with profits of £1.07m (£732,000). Turnover totalled £33.87m

(£30.63m). After tax of £706,000 (\$328,000) and minorities (\$60,000 (\$43,000) earnings per 10p share were 2.41p (0.92p) basic and 3p (2.21p) fully

Mr Weaver said the current year had begun with a record order book, but said it would

#### Juliana's Hldgs achieves lift to £1.76m

Juliana's Holdings, discotheque and hospitality services group, reported pretax profits up from £1.43m to £1.76m for 1988, on turnover up from £9.45m to £11.85m.

Earnings per share advanced from 5.20p to 5.66p, and a final dividend of 2.1p was proposed, making 3p (2.85p) for the year. The company said that the benefits of the move of Juliana's Jongor to a new warehouse in Enfield would not be felt until the summer because of associated moving and trans-

The benefit of consolidating the other hospitality interests would also not be felt until the same busy summer period, directors said. Short-term profitability in the discotheque services division could be restricted by the investment in future growth.

#### **ASB Barnett**

ASB Barnett Kinnings nearly doubled pre-tax profits from £101,677 to £201,388 in 1988. Turnover rose to £1.01m Mr Weaver said the current year had begun with a record order book, but said it would be premature to recommend resumption of dividends.

(2524.762), earnings per 2p share were 5p (2.7p) and directors propose a maiden Ip dividend. The company's shares trade on the Third Market.

## Threat to Dickie board

launched an attempt to oust the current management of James Dickie, the Ayrshirebased drop forgings maker. Specialist Holdings is nominating four individuals to replace the directors of Dickle who will be proposed for reelection at the annual meeting

on April 27.
It said if elected, the new directors would aim to reverse the decline of the company and locate a sultable business for-Dickie to acquire to enhance

A CONSORTIUM of investors posed by Specialist Holdings is named Specialist Holdings has bended by Mr Keith Daley, a

ŧο end-April year . It warned then that a return to profitability was not expec-ted in 1988, but said it was con-

James Dickie's board holds about 20 per cent of the shares,

former merchant banker. James Dickie incurred a loss of £106,038 (£237,907) in the half

effects of management changes were felt an acceptable level of profitability would be

The new management pro- held by the Dickie family.

#### **BOARD MEETINGS**

of board resettings to the Stock Exchange. Such meetings are usually led for the purpose of considering dividends. Official indications are not available as to whether the dividends are intermine of finals and the substitutions shown below and based mainly on	Interfere Bertrame Investment Trust General Mining New Cavenglah Estates SAC Interrespond	Apr. 2 Apr. 2 Apr. 2 May 1
last year's britelables.	Profe-	
TODAY	Allied Insurance Brokers	Apr. 2
Interime Amber Cay, Brachen Manes, Kin- roes Milnes, Lestin Cott Minter, YR Austrian, United Gold Alless, Wilnicotheek Minnes, etgelein APV, Atlas Converting Equipment, BLP. GSC Inv Truet, Denterroes Ind. Drayton Cores, English Nesbonel Inv. Epicara, Front, Grampton Televisiane, Havine Siddelitating Inti-	Capter Industries Clarison (Horses) Clayton, Son Higheroft Intestment Ropner Tocks Whatman Reere Angel	Apr. 2: Apr. 2: Apr. 2: May 4 Apr. 2: Apr. 2: Apr. 2:

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#### BASS PLC

Registered in England: No. 913450 (Incorporated in England under the Companies Acts)

Issue by way of placing £250,000,000 10 3/8 per cent.

Debenture Stock 2016 (the "Stock") of which £150,000,000 is issued as the Initial Tranche. The issue of the Stock will initially be guaranteed by Bass Holdings Limited.

Issue Price of Initial Tranche 100.55 per cent. payable in full on acceptance.

Application has been made to the Council of The Stock Exchange Apparatus the above Stock to be admitted to the Official List. In accordance with the requirements of The Stock Exchange at least two market makers have been offered a participation in the marketing of the Initial Tranche.

Listing particulars for the Stock will be circulated in the Estel Statistical Service and copies may be obtained during usual business home on any weekday (Saturdays excepted) up to and including 3rd May 1989 from:

ucinguish and then there	to the second
Bass-PLC 30 Portland Place London W1N 3DF	Kleinwort Benson Limited 20 Fenchurch Street London SC3P 3DB
	· ~

9 Moorfields Highwalk London EC2Y 9DS 12 Tokenhouse Yard London EC2R7AN

and up to and including 21st April 1989, for collection only, from the Company Announcements Office, The Stock Exchange, 46 Finsbury Square, London BC2A 1DD.

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ş2<sup>-</sup>

Mining companies' reports – Quarter ended 31 March 1989

145 739

10 226

2 372 000 22 177

463 404

194 174

30 685

Forward price per kg sold

4 200

Prieska Copper Mines Limited - Continued

Despatches, which vary from quarter to quarter, are brought to account at their estimated receivable value. Operating profit takes into account adjustments following final price determinations on despatches made during previous quarters. The operating profit for the quarter includes a further provision of R978 000 towards the anticipated costs which will be incurred to comply with statutory and other obligations associated with the eventual closure of the mine. It is expected that a similar provision will be made during the last quarter of the financial year. The total amount provided to 31 March 1989 is R12 008 000 (31 December 1988: R11 030 000).

Operations
Underground mining operations will cease at the end of June 1989. The treatment of low-grade surface dump material will commence thereafter and continue for as long as such operations remain profitable.

Taxation
Taxation
Taxation for the quarter ended 31 Merch 1989 and for the nine months takes into account the decrease of the rate of surcharge applicable to mines other than gold mines from 15 to 12 per cent announced by the Honourable the Minister of Finance in his budget speech on 15 March 1989.

brivioetici .

Interim dividend No. 10 of 20 cents per share in respect of the year ending 30 June 1989, declared on 14 February 1989, was paid on 8 March 1989.

For and on behalf of the board

Directors: D.J. Crowe (Charmen), R.P. Fitton, C.C. Gedeon, B.E. Hersov D.M.S. D.A. Lynch, Clive S. Menell, D.J. Pedneaut, R.A.D. Wilson Atternate directors: D.A. Blaine, A.J. Brink, J.J. Geldenhuys, G.J. Robbertze

#### Eastern Transvood Consolidated Mines Hall

Reg. No. 01/08442/06					
Issued capital: 4 315 678 shares of 50 cents each					
	Quarter	Quarter	Nine months		
	ended	ended	ended		
	31 Mar	31 Dec	31 Mar		
	1989	1988	1989		
Operating results	1300	,,,,,,	1000		
Ore miled	89 800	91 400	273 400		
Gold recoveredkg	878	892	2710		
Yieldgr	9.6	9.8	9.9		
Revenue	307.50	330.56	329.01		
Costs	143.93	139,72	140,77		
		190.84	188.24		
Profit P/t miled	163,57		33 575		
RevenueR/kg	32 634	33 871			
Costs P/kg	14 721	14 316	14 201		
Profit P/kg	17 913	19 555	19 374		
Revenue R000	28 653	30 213	90 990		
Costs R000	12 925	12 770	38 486		
Profit R000	15 728	17 443	52 504		
Financial results	R000	R000	FIG00		
Working profit - gold maxing	15 728	17 443	52 504		
Non-mining income	963	1 341	3 2 1 8		
1401 (14m-3 2200 10 11)	16 691	18 784	55 722		
Commencial commencial con	363	2713	3 799		
Prospecting expenditure					
Profit before taxation	16 328	16 071	51 923		
Taxabon	5 682	3 420	<u>17 107</u>		
Profit after taxation	<u>10 646</u>	12 651	<u>34 816</u>		
Capital expenditure	5 037	8 608	20 060		
Dividends	=	6 475	<u>6 475</u>		
	<u>5 037</u>	15 083	<u> 26 535</u>		
Development					
Advanced	2 384	2 396	7 081		
Sampling results:					
Sampledm	929	1 060	2 836		

The profit before taxation includes results of hadging transactions concluded

Hedging transactions
The Company has entered into certain option contracts so as to enhance gold revenue should the gold price be below \$400 per ounce during the quarters ending 30 June and 30 September 1989: Cruarter ending

30 June 1989
30 September 1989
In addition the Company had, at 31 March 1989, sold a portion of its future gold production as detailed below:

Forward price per kg sold Counter ending Kg of gold sold 30 June 1989 The forward price has been calculated at the R/S exchange rate ruling on 31 March 1989. Dividend Interim dividend No. 77 of 150 cents per shere, declared in November 1988, was paid in January 1989. Capital expenditure Outstanding commitments at 31 (31 December 1988: R5 387 000).

Following the operational problems previously reported the new roaster has now been recommissioned.

Directors: R.A.D Wilson (Cherman), D.J. Crowe, J.J. Geldenhuys, B.E. Hersov D.M.S., Chre S. Menett, G.J. Robberzze, J.E. van Niekerk

19 April 1989

## Lording Gold Mings. Ho

issued capital: 16 366 986 shares of R1,00 each				
	Guarter ended 31 Mar 1989	Quarter ended 31 Dec 1988	Six months ended 31 Mar 1989	
Operating results				
Ore maled	407 000	421 000	828 000	
Gold recoveredkg	2 019	2 147	4 166	
Yieldg/t	5.0	5,1	5,0	
Revenue R/tmilled	163,25	166,09	164.69	
Costs Primiled	151.70	151.61	151.65	
Profit P/tmiled	11.55	14,48	13.04	
Revenue F/kg	32 908	32 569	32 733	
Costs P/kg	30 579	29 728	30 141	
Profit P/kg	2 329	2 841	2 592	
Revenue	66 441	ຄົ້ 925	135 356	
	61 740	63 826	125 566	
Costs R000				
Profit R000	4 701	<b>6 099</b>	10 800	

Development results given are the actual sampling results. No allowance has been made for adjustments necessary in the valuation of the corresponding ore reserves. Shareholders requiring copies of these reports regularly each quarter, should write to the Secretaries, Angio-Transvaal Trustees Limited, 295 Regent Street, London W1R 8ST.



Loraine Gold Mines, Limited - Continued				
	Querter ended 31 Mar 1989	Quarter ended 31 Dec 1988	Six months ended 31 Mar 1989	
Financial results	R000	R000	RQ00	
Working profit - gold mining	4 701	6 099	10 800	
Profit from sales of pyrite	187	708	895	
Non-mining Income	<u>3 165</u>	<u>2 926</u>	<u>6 091</u>	
	6 053	9 733	17 786	
Interest paid	242	280	522	
Profit before taxation and				
Profit before taxation and State's share of profit	7811	9 453	17 264	
of profit	3 265	1 894	5 159	
Profit after taxation and				
State's share of profit	<u>4 546</u>	<u>7 559</u>	12 105	
Capital expenditure Appropriation for loan	1 329	4 648	5 977	
repayments	43	34	77	
	1.372	4 682	6 054	
Stevelen v	1972	4 002	<u> </u>	
Development	8 760	9 578	18 338	
Advanced	0 /00	93/6	10 330	
Sampledm	462	536	998	
Channel width	66	110	89	
Channel value	21.3	7.6	12.3	
cm.di	1 398	835	1 096	
Basal reef		-		
Sampledm	230	662	892	
Channel widthcm	- 8	9	8	
Channel value	<b>8</b> 5.9	100.9	97,2	
.,,,cm.q/t	687	858	814	
Eldorado reefs				
Sampledm	902	764	1 666	
Channel widthcm	<u>84</u>	106	94	
Channel valueg/t	7.7	7,9	7,8	
cm.g/t	651	844	740	
Total – all reefs Sampled	1 504			
Channel widthcm	1 594 68	1 962 74	:3 556 71	
Channel value	12.9	11.4	12.0	
Charles valuecm.c/t	873	846	858	

Financial
The profit before taxation includes results of hedging transactions concluded In terms of the Company's articles of association, the directors' borrowing powers are limited to R35 000 000. At 31 March 1989 borrowings totalled R5 650 000 (1988: R5 827 000), of which long-term borrowings amounted to R5 528 000 (1988: R5 714 000) and short-term to R124 000 (1988: R113 000).

Taxation has been calculated according to the formula as announced by the Honourable the Minister of Finance in his budget speech on 15 March 1989. Hedging transactions

The Company has entered into certain option contracts so as to enhance gold revenue should the gold price be below \$410 per ounce on put options purchased and \$460 per ounce on call options sold, during the quarters ending 30 June and 30 September 1989:

Quarter ending options sold 1 213 kg (39 000 oz) 93 kg (3 000 oz) 933 kg (30 000 oz) 30 June 1989 30 September 1989 In addition the Company had, at 31 March 1989, sold a portion of its tuture gold production as detailed below: Forward price per kg sold Quarter ending Kg of gold sold 30 June 1989 R32 805

The forward pince has been calculated at the R/\$ exchange rate 31 March 1989. Capital expenditure
Outstanding Outstanding commitments at 31 March 1989 are estimated at R860 000 (31 December 1988: R820 000). For and on behalf of the board D.J. Crowe Directors
J.J. Geldenhuvs

Directors: D.J. Crowe (Charman), P.J. Eustace, J.J. Geldenhuye, B.E. Hersov D.M.S., L. Hewlitt, G.C. Krafit, G. Maude, Cirve S. Menell, S.W. van der Colf, R.A.D. Wilson Atternate directors: J.H.J. Burke, B.J. Funston, B.J. Lawrenson, T.C. Rees, G.J. Robbertze, J.E. van Noekerk, K.A. West

#### Consolidated Murchison Hid

Issued share capital: 6 240 000 shan	es of 10c each	1	
	Quarter ended 31 Mar 1989	Quarter ended 31 Dec 1986	Nine months ended 31 Mar 1989
Financial results	R000	R000	R000
Antimony revenue net	6 070	6 478	18 846
Gold revenue	7016	₽ 023	22 694
Sundry mining income	68	139	254
• •	13 154	14 640	41 794
Cost of sales	10 957	11 513	33 673
Working profit	2 197	3 127	8 121
Net non-mining income	420	299	1 559
	2617	3 426	9 680
Prospecting expenditure	298	108	915
Profit before taxation	2319	3318	8 785
Taxation	255	216	641
Profil after taxation	2 064	3 102	8 124
Capital expenditure	1 194	1 459	3 837
Dividend		=	=
	1 194	1 459	3 837

Financial
The revenue from the sale of antimony concentrates brought to account each
quarter is based on actual shipments made which can vary considerably from
quarter to quarter.
A reduced volume of concentrate sold compared to the second quarter resulted in
lower antimony revenue. While the U.S. dollar concentrate price held steady at
the lower level previously established, the average randfollar exchange rate at
which sales were accrued during the quarter of P2.52 (as against P2.41 for the
second quarter) offset to some extent the lower sales achieved.

Total gold revenue declined by nearly 13 per cent. Lower gold production at 231 kg, compared to 256 kg last quarter, was aggravated by reduced rand per idiogram prices received which averaged R30 362 per kilogram as against R31 361 per idiogram in the second quarter.

Taxablen
Liability for tax artses on non-mining income only which is taxed at the unchanged standard corporate rate of 50 per cent. The Company has an assessed tax loss on mining operations and will not be liable for mining tax this year.

Capital expenditure
Capital commitments at 31 March 1989 are estimated at R210 000 (31 December 1988: R216 000).

For and on behalf of the board M.W. Hawarden Directors D.J. Crowe

Directors: M.W. Hawarden (Charman), R.A.D. Wisson (Deputy Charman), V.G. Bray, W.D. Cough, D.J. Crowe, B.E. Herson D.M.S., G.J. Jorden, Give S. Menet, P.F. Reset Attensive directors: L.M. Burnmer, P.W.J. Coenen, P.E. Gassner, P. McKenna 19 April 1989

## Purer water may wash away farm profits

Bridget Bloom on fears generated by moves against nitrate pollution

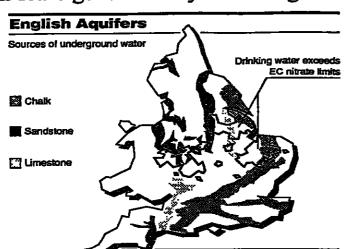
car to a halt, gesturing across his wide Lincolnshire acres where the rows of potatoes can be half a mile long. "If there's a protection zone over this farm," he said, "we'll have to lay off half the men and give up farming as we

It is doubtful if there is an arable farmer on Lincolnshire's so-called Heath land who is not worried that within a year or two he will be forced to cut back on his use of nitrogen fertiliser because the Government nitrate protection zone.

The speaker quoted above who asked not to be identified because he said his workers were already too stressed by the downturn in arable farming's fortunes to learn of more problems – farms virtually on top of one of the Anglian Water Authority's boreholes. The nitrates he uses to fertilise his potatoes, barley, sugar beet and wheat are thought to be one of the prime causes of nitrate leaching into the porous limestone rocks which constitute the Lincolnshire aquifer, one of the country's

key sources of drinking water. Water from there, used for drinking with only the necessary chlorine treatment, regularly comes up with nitrate levels of 75 to 100 milligrams per litre, instead of the European Community ceiling of 50 mg per litre. The farmer in ques tion actually fears that he may be stopped from using nitrates altogether. That would mean, he says, completely restructur-ing his operations, since his high fixed costs are geared to getting the maximum possible output from his very substan-

Nitrate protection zones, or nitrate sensitive areas - even the name has not been chosen - have not yet been estab-lished: a proposal that they should be is currently with the EC Council of Ministers in Brussels and may well not get approval for a year. But in



written into the Bill to privatise water supplies, which should be law by the summer. Meanwhile ministers have begun cagily to talk about the establishment of such zones, while officials of the nascent National Rivers Authority, which will be created by the Water Bill as the new regula-tory body for water quality, accept that they are on the

way.

What no one is saying just now is what the extent of the zones will be, nor the sort of restrictions they will carry. "Everyone is worried, yet no one knows what to fear," was how the impact on farmers of this uncertainty was described by Rowan MacFerran, land agent for the 15,000-acre Thoresby Estate on Nottinghamshire's porous sandstone soils, where nitrate levels threaten soon to equal central Lincol-

The best guess currently is that the Government, to burnish its image in Brussels as well as with environmental lobbies, will announce a num-ber of pilot nitrate sensitive areas within the next year, probably before it is forced to do so by the EC.

"desk study" reportt published late last year. These zones which could be voluntary in the first instance, and will carry compensation, could be in quite limited areas — "clob-bering those of us over bore-holes and leaving the rest alone," as the Heath farmer put it. On the other hand, weter officials say such gones water officials say such zones, even on an experimental basis, could affect all farmers on such areas as the Heath, at

nitrate levels by given Nitrate pollution is one of the most complex and controversial environmental prob-lems. Many farmers and fertiliser manufacturers, not surprisingly, dispute that the cause of nitrate leaching is the growing amount of fertiliser used on crops in the agricul-tural revolution of the last 30

least by a requirement to cut

They note that ploughing up grassland, which farmers were initially ordered and until quite recently encouraged to do, releases much larger quantities of nitrate to leach into underground water. Permanent lightly-grazed pasture or wood-land is the best antidote to Britain, legislative powers to
Structure of the destination of the des

depending on geology and soil structure, to reach underground water supplies. Farmers also argue that the health case against nitrate in water is not proven: the inci-dence of the stomach cancer attributed to nitrate is said to be marginally lower in East Anglia where nitrate levels are highest, while there has not been a case of the oxygen-deficiency "blue baby syndrome", also attributed to nitrate, since

But there is a sense in which these arguments have now become irrelevant. As David become irrelevant. As David Thompson, managing director of Laurence Gould Consul-tants, authors of some of the key expert studies\* of nitrate levels, points out, Britain long ago accepted the 1980 EC directive on drinking water which stipulates the 50 mg level.

The derogations under which the Government sought to operate an 80 mg per litre standard were withdrawn a year ago; even if the Govern-ment can soften the blow for many farmers by making the nitrate protection zones voluntary, and by offering generous compensation, it is legally bound to implement the directive - and if it does not do so quite soon, according to reports from Brussels this week, it may well find itself arraigned before the European Court before too long.

So the argument now is not whether there should be restrictions but how tough they should be, and what means of enforcement should be used.

The critical areas are the limestone region of Lincol-nshire, the sandstones of the midlands and the chalk areas in Cambridgeshire, all arable areas with high and rising nitrate levels (see map). Farmers in these areas are naturally hoping that the new privatised water companies will decide either to treat their water to remove nitrates or to

blend it with purer supplies,

three options, depending on the situation, will be utilised, the most critical factor being cost, which will be high. In the case of blending or treatment, the new water companies would pay, almost certainly resulting in increasing charges to consumers; the compensazones would come from the taxpayer via the Government. Cost is critical for farmers, too. Dr David Carmichael, who farms 600 acres on the edge of the Waddington RAF station, where the early warning Awacs aircraft are to be based, believes his yields would plum

met without fertiliser. He reck-ons that on the scrubby land that the Heath once was, yields of wheat in the 1950s, with min-imal fertiliser, were about 30 cwt to the acre. Today they are double that. The Government's experts

tell us that a 50 per cent cut in nitrogen would mean a drop of 10-15 per cent in yields but in these tough days that's my profit," he says. "Without fer-tilisers, my yields would be attrocious — I just wouldn't have a business. I'd be better off building a grandstand and car park for people to come and watch the Awacs".

And compensation? With so few details of what might be in store for them farmers in Lin.

store for them, farmers in Lin-colnshire last week seemed unwilling or unable to talk about the sort of compensation they might expect. As one farmer put it, compensation is a difficult concept anyway for this area of modern and effi-cient farming "We're the peo-ple the Government says it wants to encourage into the free market economy, not pay

off with subsidies": Clearly one major reason for the government secrecy so far is the "planning blight" effect which early warning of nitrate zones could have. Prohibition on the use of nitrogen for the next 30 or 40 years could obvi-ously have a devastating effect

#### Bigger Australian wheat crop **forecast**

By Chris Sherwell in

AUSTRALIA, one of the world's major wheat exporters, is likely to grow 15m tonnes of wheat in the 1989-90 season, the highest output since 1988-87, according to first estimates released yesterday.

Figures from the Australian Bureau of Agricultural and Resource Economics, part of the Government's Primary Industries Department, showe that 10.2m hectares would be planted to wheat, up from 9.4m ha in 1988-89. The bureau said its estimate

was 1m ha higher than it was forecasting before the recent widespread rain over the east-ern states, which "has given farmers the best start to the winter cropping season for

many years."
It said it expected a harvest of 15m tonnes, up from 14.45m tonnes previously, because of the substantial improvement in soil moisture reserves and on the assumption of normal seasonal conditions from now

With farmers taking advan-tage of the good planting con-ditions for wheat, the bureau said it expected barley plant-ings to fall slightly unless fur-ther rains interfered with wheat sowing. Smaller plant-ings of oats, lupins and field peas were also expected. Even if the bureau's esti-

mates are borne out, the Australian wheat crop will still be well short of the record production level of 22m tonnes set in 1983-84. Production has been above 15m tonnes in seven of the past eleven seasons, but before 1978-79 it had never reached this level.

Of the total, around 2.5m tonnes is sold domestically, and the rest exported onto the world market. There, overall production is expected to recover significantly in 1989-90, but stocks are thought likely to

## Outokumpu to buy remaining stake in Irish zinc mine

By Kieran Cooke in Dublin

THE IRISH Government has announced that it is selling its remaining 25 per cent stake in Tara Mines to Outokumpu, the Finnish state mining concern, for \$50m.

Outokumpu will now be the 100 per cent owner of Tara, said to be the biggest zinc mine in Europe. The Finnish company purchased the other 75 per cent of Tara three years ago from the Canadian registered Tara Exploration Com-

pany.

Mr Michael Smith, the Irish Energy Minister, said that the main part of the proceeds from the sale of the Government's stake in Tara would be used to update Whitegate oil refinery, freland's only oil refining facil-ity, near Cork.

Mr Smith said that since the Government took up its 25 per cent stake in Tara in 1975 it had not received "a brass far-thing in royalties."

The mining operation at-Tara, about 30 miles north of Dublin, has been surrounded by controversy in recent years. The company was involved in a lengthy argument with the Irish Government over the terms of its operating lease and with another mining group over mining rights. There have also been frequent labour disputes at the mine.

at Tara and, with rising world sinc prices, the mine is said to be now making substantial profits. About 800 are now employed

#### Peruvian mining industry faces fresh strike threats

By Veronica Baruffati in Lima

SOUTHERN PERU Copper Corporation miners have called for a general strike beginning on Friday in support of demands for higher wages, hol-iday rights and the reinstate-ment of miners dismissed during the last strike.

Workers at the the Cajamar-quilla zinc refinery, adminis-tered by Minero Peru, are also due to come out on strike on Friday to demand of better wages and in protest at the ssassination of Mr Ceferino Requis, the secretary general of the Cerro de Pasco miners'

Mr Requis, a United Left mil-itant, was leading a union meeting on Sunday morning in Cerro de Pasco when four peo-ple broke into the assembly and shot him dead.

The 1,500 miners at Centromin's Cerro de Pasco mine have: been on strike since the assassination of Mr Requis on Sun-

Centromin's 17,000 miners have called for a general strike beginning next Monday to demand a solution to inte problems and in protest at the murder of Mr Requis. The 80,000 members of the National Federation of Miners, Matellurgical and Steelworkers

have called for a 72 hour strike beginning April 27 in protest at the Government's failure to fulfil the agreement it signed with miners at the end of the last strike on December 12. Two miners' strikes last year cost Peru \$440m in kost export

Miners at the Husnum the mine, one of Bolivia's largest, suspended a 15-day strike and returned to work on Monday pending further negotiations with Corporacion Minera de Bolivia (Comibol), the state mining company, reports Rea-ter from La Paz.

#### WEEKLY METALS PRICES

All prices as supplied by Metal Bulletin (last week's prices in

(2.050-2.110).

brackets).
ANTIMONY: European free

BISMUTH: European free market min. 99.99 per cent. 1. h per ib, toune lots in warehouse. (7: 6.20.6.50 (same). (7: CADMIUM: European free

per lb, in warehouse, 6.70-7.00 (7.00-7.25). COBALT: European free market, 99.5 per cent, \$ per lb,

in warehouse, 7.45-7.60 (7.35-MERCURY: European free market, min. 99.99 per cent, \$

260-280 (same). MOLYBDENUM: European ANTIMONY: European free free market, drummed molyb-market 99.6 per cent, \$ per dic oxide, \$ per lb Mo, in ware-tonne, in warehouse, 2,045-2,100 house, 3.70-3.80 (3.80-3.90). SELENIUM: European free

per 76 lb flask, in warehouse,

market min 99.5 per cent. \$ per lb. in warehouse, 7.25-8.00 (7.30-8.00); TUNGSTEN ORE: European free market, standard min. 65 per cent, \$ per tonne unit (10 kg) WO, cif, 55-65 (same).

market, min. 98 per cent, \$ a lb VO, cif. 8.90-9.20 (9.40-9.80). URANIUM: Nue exchange value, \$ per lb, UO, 11.20 (same).

VANADIUM: European free

## US farmers fear they will lose out on exports under Gatt deal

By Nancy Dunne in Washington

THE SENATE Agriculture Committee is to begin hearings today on a new US Farm Bill against a backdrop of rising farmer concerns that an international trade pact on subsidies will deprive them of government payments they

need to survive. tors in the General Agreement on Tariffs and Trade to start reducing trade-distorting farm subsidies in 1991 threatens farmers with the loss of the deficiency payments they receive to enable them to export their grains at world prices, which for many farmers is below their production

Mr Clayton Yeutter, the US Agriculture Secretary, has indicated support for a continuation of the basic programmes in the 1985 Farm Bill, due to expire next year. overhaul when it was written. drove down support prices and provided billions of dollars for subsidies, credit, promotion and food aid.

However, Mrs Carla Hills, Mr Yeutter's successor as the US Trade Representative, last

COCOA E/tonin

755 772 767

750 765 781

756 750 772 766 787 781

week suggested that deficiency payments, a key component of the current programme, could be considered one of the tradedistorting subsidies the US and other nations have agreed to

The current farm programme has been an expensive :. A D Congress' General Accounting Office found that subsidies and payments to farmers for leaving land out of production cost \$32bn in the first three years of the scheme compared with \$25bn paid to farmers in the four previous years.

LONDON METAL EXCHAN

Copper, Grade A (£ per tonne)

Cash 1803-5 3 months 1738-9

Leed (2 per tonne)

Silver (US cents/fine o

576-8 587-9

Aluminium, 99.7% purity (5 per tonne)

1777-8

382-4 382-3

The report said American farm exports had risen and stocks had declined since the implementation of the legisla-tion. However, it said, it was uncertain how much of the gains could be attributed to the legislation and how much to macroeconomic policy, lower the trade and farm policies of US competitors.

Under the current programme, the Government now absorbed much of the farmers' price risks, and thus had limited control over overall costs, the GAO said. When

2130/2105

1835/1808 1798/1735

363/352

1834-5 1767-8

576-8 587-0

353-4 354-6

commodity prices were high, as a result of droughts and boosts in demand, then the programme costs were low and vice versa.

The Government has also

dramatically expanded its role in exports. In 1987, various schemes assisted 68 per cent of per cent of feed grains exports. Before the passage of the Farm Bill, in 1985, the Government subsidised foreign sales of about 46 per cent of wheat and flour exports and about 11 per cent of feed grains.

Many Democrats and farm

**WORLD COMMODITIES PRICES** 

(Prices supplied by Amalgamated Metal Trading) AM Official Kerb close Open Interset

1744-6

Ring turnover 9,150 tonne

Ring turnover 43,450 tonne

30,788 lots

71,634 lots

Ring turnover 0 czs

361 lots

9,818 lots

Ring turnover 9,600 tonne

prices, larger acreage set asides and import controls. They say that without subsidies to cover high US production costs, environmental and worker safety regulations and high farmers will be out of business. Mrs Hills has indicated that instead of giving deficiency

groups have already begun to

argue for a sea change in farm policy - with higher support

payments, the government could pay farmers directly for "the particular hardships of being a farmer.'

## **LONDON MARKETS**

COPPER prices continued Monday's retreat on the LME yesterday, cash metal shedding £53.50 to £1,804 a tonne. The market now seems to be resuming the bear trend which appeared to be developing before the recent surge on Comex on fears of possible supply tightness, traders said. However, concern over further supply disruption from Peru is likely to prevent a concerted self-off, some traders said. Coffee prices closed ahead, but off the day's highs as the fund-driven rally in New York temporarily ran out of steam. Dealers said constructive charts in New York and nearby supply tightness for both arabica and robusta coffee had been the main supportive factors behind the market's early strength, Palladium prices retreated further as speculative interest inspired by recent nuclear fusion experiments eased. SPOT MARKETS

Crude oli (per barrel FOB)	<u> </u>	+ or -
Dubsi Bront Bland	\$16.40-6 50q \$19.55-9.65z	+0.15
W.T.I. (1 pm est)	\$21 30-1.352	
Oil products (NWE prompt delivery per b	onne CIF)	+ or -
Premium Gasoline Gas Oil	\$275-277 \$158-160	+2
Heavy Fuel Oli	\$92-94	_
Naphina Petroleum <i>Argus Estimete</i> s	\$172-174	-5
Other		+ ar -
Gold (per troy ozi	\$384.25	-0.76
Silver (per troy oz) 4 Platinum (per troy oz)	580c \$539.5	-1 -15.15
Palladium (per troy oz)	\$166.25	-4.65
Aluminium (free market)	\$2145	-25
Copper (US Producer) Load (US Producer)	151%-54% 37.5c	+3
Nickel (free market)	665c	-10
Tin (Europoan free market)		-100
Tin (Kuala Lumpur market) Tin (New York)	28.84r 489.5c	-0.31 -3.25
Zinc (US Prime Western)	87 % c	-5,5
Came (live weight)†	117.11p	-2.29"
Sheep (dead weight)†	248.64p	+0.02*
Pigs (live weight)t	86.23p	+1.97*
London daily sugar (raw) London daily sugar (while)	\$301.6u	+7.0 +5.5
Tals and Lyle export price		+4.5
Barley (English feed)	£114.5	
Malze (US No. 3 yellow)	£134.0	+0.5
Wheat (US Dark Northern)	£126.75v	+0.50
Rubber (spot)♥ Rubber (May) ♥	59.00p 68.00p	-0.25
Rubber (Jun) *		-0.25 -0.25
Rubber (KL RSS No 1 May)	302.0m	-0.25
Coconut oil (Philippines)§	\$550v	
Poim Oil (Melaysian)§ Copra (Philippines)§	\$412.5 \$356	
Soyabeans (US)	Ling	+6
Cotton "A" Index	74.15C	+0.35
Wooltops (64s Super)	640p	

tonne. The market nov		be	Dec	767 826	781 820	787 781 826 820
resuming the bear treat appeared to be develo		e the	Mar May	817 817	810 810	815 810 815 810
recent surge on Come			Jul	831	821	826 823
possible supply tightne					545) lots of	
However, concern ove		upply	ICCO I	ndicator p	rices (SDF	is per tonne). Daily 3.48):10 day average
disruption from Peru is		_			8 (1000.16).	
prevent a concerted se traders said. Coffee pa			•		•	
ahead, but off the day			COFFE	E Chonne		
fund-driven rally in Ne		-		Close	Previous	High/Low
temporarily ran out of			May	1149	1140	1165 1145
said constructive char			Jiy	1104	1083	1114 1097
and nearby supply tigit arabica and robusta c			Sep Nov	1070 1052	1054 1041	1081 1064 1065 1050
the main supportive is			Jen	1049	1038	1060 1050
market's early strengt			Mar May	1048 1050	1035 1035	1055 1048 1056 1050
prices retreated furthe	er as specu	lative				
interest inspired by re		ar	IUrnovi	ar:38394 (4) Scator or	607) lots of ices (US c	a torines inta per pound) for
fusion experiments ea	sed.		Apr 17	: Comp. (	dally 118.41	(118.15); . 15 day
SPOT MARKETS			average	115.34 (	115.05).	
Crude oli (per barrel FOS)		+ or -		l (\$ per to		
Dubai	\$16.40-6 500		Rew	Close		Web/I em
Brent Bland	\$19.55-9.65z	+0.20			Previous	High/Low
W,T,I. (1 pm est)	\$21 30-1.352	+0.44	May Aug	270.80 269.60	270.60 269.00	273,40 268,40 272,00 267,00
Oil products	and CID		Oct	268.00	268.20	271.00 266.00
(NWE prompt delivery per I		+ 67-	Dec Mar	266.00 261.00	268.00 262.20	264.00 260.00 258.60
Premium Gasoline Gas Oil	\$275-277 \$158-160	+2	May	258.00	261.00	
Heavy Fuel Oli	\$92-94		White	Close	Previous	High/Low
Naphina Petroleum Argus Estimetes	\$172-174	-5	May	307.50	308.00	
Other		<del></del>	Aug	330.50	329.50	332.00 329.00
		+ or -	Oct Dec	321.50 313.00	322.00 314.00	324.00 321.00
Gold (per troy oz) 4 Silver (per troy oz) 4	\$384.25 580c	-0.76 -1	Mer	308.50	309.00	312.00 308.00
Platinum (per troy oz)	\$539.5	-15.15			3926 (5922)	lots of 50 tonnes.
Palladium (per troy oz)	\$166.25	-4.65		07 (530). Walto (SEr	nor tonnel-	Aug 2065, Oct 2005.
Aluminium (free market) Copper (US Producer)	\$2145 1515;-543	-25 +3				10, Aug 1905.
Lead (US Producer)	37.5c	-				
Nickel (free market) Tin (European free market)	885c	-10 -100	LCNDO	N METAL	EXCHANG	TRADED OPTIONS
Tin (Kuala Lumpur market)	28.84	-0.31	Alumiel	um (99.77	6) C	Alla Puta
Tin (New York) Zinc (US Prime Western)	489.5c 877gc	-5 p -3.55	Strike p	rice \$ ton	не Мау	Jul May Jul
Came (live weight)†	117.11p	-2.29*	2050		126	138 13 79
Sheep (dead weight)†	248.64p	+0.02	2158 2250		59 21	90 45 128 98 108 192
Pigs (live weight)t	86.23p	+1.97*		(Grade A)		of the tag
London daily sugar (raw) London daily sugar (white)	\$301.6u \$333.5u	+7.0	2900	, <del></del>	204	
Tals and Lyle export price		+5.5 +4.5	3100		67	95 72 230
Barley (English feed)	£114.5		3300		12	45 215 376
Malze (US No. 3 yellow) Wheat (US Dark Northern)	£134.0 £126.75v	+0.5				
Rubber (spot)	59.00p	+0.50				
Rubber (May) 🖤	68.00p	-0.25	1			i
Rubber (Jun) * Rubber (KL RSS No 1 May	67.50p	-0.25	May/J	una 1989 i	e and f Dun	dee ETC \$500.
Coconut oil (Philippines)§	\$550v	-0.25	BWC	530, BTD	\$445, BWD	dee BTC \$500, \$450; c and t
Polm Oil (Melaysian)	\$412.5		Aniwa STD S	ир втс эч 416.	66, BWC \$4	55, BWD \$405,
Copra (Philippines)§	<b>\$356</b>	+5	1			
Soyaboans (US) Cotton "A" Index	Ling. 74.15c	+0.35	сотт			i
Wooltops (64s Super)	640p		Spota	nd shipm		the week ended
E a tonne unless otherwise	stated. p-pe	nce/kg.	i montes	in the pr	avious weel	nnes against 578 k. Trading was
c-cents/lb. r-ringgit/kg. v-/ q-Jun. x-May/Sep. w-Apr	upr/May, u-a/	lay/Jun.	moder	ate with s	ales occuri	ng in Soviet and
Commission average fatsis	oun. Z-May. XX Drices *	chance	west /	Virican gro	70 E.	j
from a week ago. Whond	on physical	market.	1			į.
SCIF Rotterdam. 🏚 Buillon	market close	. m-Ma-	1			1
laysian cents/kg.			L			_ 1

Nickel (	(S per bon	ine)						Ring	turnover 3,386 tons
Cash 3 mont		0-75 0-800	15100-200 14925-50	14825/1470 14800/1490		14825-50 14850-70	,	14750-80	0 .7,333 lots
Zinc, S	pecial His	gh Grade (	per tonne)		_			Ring	tumover 9,475 tonn
Cash 3 mont	1565 hs 1550		1555-60 1666-60	1580/1575 1560/1550		1578-80 1555-8		1570-5	6.917 lots .
Zine (\$	per tonne	8}						Aling t	urnover 13,825 tono
Cash 3 mont	1535 ha 1490		1649-50 1500-10	1580 1520/1475	_	1557-80 1505-10		1510-6	12,792 lots
POTAT	OES E/to:	1110			LOI	NDON BI	, LL	ON MARS	(ST
	Close	Previou	High/Low			d (tine oz			Σ equivalent
May Nov Feb Apr	147.0 95.0 107.0 134.5 er 171 (3	150.0 92.0 104.0 138.5 12) lots of	152.5 145.6 135.5 134.1 40 tonnes.		Mor Afte Day	ee ening roing fix ernoon fix 's high 's low	38: 38: 38: 38:	1-3541 <sub>2</sub> 5-3851 <sub>2</sub> 5-25 3.95 51 <sub>2</sub> -386 1-3831 <sub>2</sub>	223 <sup>1</sup> 2-224 225-225 <sup>1</sup> 2 225-356 223-357
SOYAB	EAN NE	N. E/tonne							
	Close	Previous	s High/Low		Col		_	orice	2 equivalent
Jun Aug	156.00 152.00	155.20 151.00	156.00 155. 162.00	50	Brit	oloiced annie Escie	38	5-400 5-400 5-409	230-233 230-233 230-233
Turnov	er 52 (32	0)icts of 20	tonnes.	<del></del> .		gerrand	384	5-400 1-387	230-233 223 <sup>1</sup> 2-225 <sup>1</sup> 2
FREIGH	it Futur	E\$ \$10/Inc	lex point		Old	Sov.	90	ية 19-يا جة 19-يا	25,5-93,4
	Close	Previous	High/Low	<del></del>	Nob	le Plet		45-655.65	319.30-324.65
Apr May	1639 1642 1393	1644 1635 1385	1650 1639 1650 1630		Shr	er fix	p/fi	ne oz	US cas equiv
Jul Oct	1494	1480	1397 1385 1497 1485		Spo	t ontba		1.25	581.50 585.90
Jan Apr	1530 1575	1585 1575	1530 1575			onthe		1.85	540.90 ·
apr 8Fi	1621	1627	10/0		12 :	moniths	384	.65	644.60
Turnove	H 347 (22	26)							
		-			CRU	DE OIL S	ber	ne)	<del></del>
GRAINS	£/tonne				****		lose		us High/Low
Wheat	Close	Previous	High/Low		Sem		8.91		19.02 18.81
May	120.30	120.70	121.00 120.5		Jul	1	<b>L</b> 02	17,75	18.10 17.97
Jun Sep	121.35 105.35	121.50 105.00	122.00 121.3	<b>10</b>	Aug SPE		7.55 8.79		17.56
oop Nov	107.75	107.40	105.35 107.75 107.5			over: 655	_		<del></del>
Jan Mar	110.85 113.85		110.85 110.6	10			- ,-	,	
May	116.80	116.50	113.85 113.7 116.90 116.8	ю.					
-				-	QA8	Off. \$/tor			·
Seriey	Close	Previous	High/Low			Clos		Previous	High/Low
May	107.95	108.40	106.55 107.9	<del>-</del> '	May Jun	153.0 150.0		162.75 148.75	155,75 152,25 152,00 149,75
Sep	102.30	102.20	102.30		Jul	149.0	Ö	147.75	150.50 149.00
Nov Ian	105.25 108.25	105.15 108.16	105.25 108.25	:	Aug	149.5		149.00 150.75	151.00 149.50
Ver	111.15	111.05	111.15	ì	Sep Oct	151.0 163.2		151.00	151.75 161.00 153.25 163.00
May	113.15	113.05	113.15 113.0	o i	Nov	154.0		153.00	154.00 153.00
Turnave	r: Wheet	188 (153).	Barley 31 (87		Dec	155.7	6	154.50	156.00 155.00
Turnove	r lots of	100 tonnes		· :	ľum	over 7118	(30	20) lots of	100 tonnes

lots 86 tonne lots 75 tonne lots 25 tonne lots 225 tonne lots 225 tonne	condition was seen. Wheat prices slipped on the long term weather forecast. In the livestock markets, belifes and hog futures slipped as an expected bearish cold storage report weakened prices. Cattle prices edged higher as packer and retailer interest was better than expected. Cotton futures railled as heavy commission house buy stops pushed prices higher New longs helped the advance as firm notice day for the May contract approaches. Energy futures again posted a strong advance as technical buying provided support. Volume for the day was over 100,000 in the crude oil market.							
	GOLD		22.; \$/truy (					
		Close	Previous	High/Lo				
fent	Apr May	383.5 384.6	385.2 387.3	385.2	363.0			
	Jun	387.4	390.7	6 396.5	G 386.2			
	Aug Oct	392.1 397.4	395.0 400.5	395.0 · 400.7	390.5			
-	Dec	402.7	406.0	406.D	398.5 401.9			
5 <sup>3</sup> 2	Feb	408.0 413.3	411,5	408.4 0	407.5 8			
:	Apr	418.7	417.1 422.8	Ö	ŏ			
M.85 <sub>.</sub>	PLATE	NUM 50 tr	oy oz; \$'tro	y oz.	<del></del>			
<u></u>		Close	Previous	High/Lot	,			
drija	Apr	645.5	648.2	546.5	542.0			
	Jul	648.5	650.7	551.5	542.0			
	Oct Jan	547.5 548.5	549.7 561.2	550.0 650.6	543.5 544.0			
	Apr	550.5	553.2	0	0			
	SILVE	R 5,000 tm	y oz; cent	rach or				
		Close	Previous	High/Los	•			
	Apr	676.3	581.1	0	0			
L81	May	578.0 583.8	563.0 588.4	563.5 0	576.0 . S			
-97	Jul	588.7 599.2	585.4 583.9	594.5	567.1			
	Sep Dec	614.4	804.7 620.4	695.0 620.5	598.0 612.0			
	Jan . Mar	619.4	625.6	0	630.0			
	May	629.5 639.7	636.0 646.5	631,0 645,0	645.0			
	Jul	650.1	657.2	655.0	. 653.0			
	REDI							
25 75 .	REUI	ER\$ (Bas	e: Septemb	er 18 1931	= 100)			
08	1	Apr 17	Apr 14	ඟාණ අදු	o At #800			
50 00		2011.6	2001.0	1995.4	1735.4			
90	DOW	JONES (8	ase: Dec. (	1 1974 =	100)			
30 30	Spot	138.35		138.25	129.24			
	Future	139.39	138.09 139.04	140.25	132.71			

į	M/	ARKI	TS		COP	PER 25.00	) lbs; cente	/fibs		CI	ileag	10		
						Close	Previous		<del></del>	• <u>.</u>			·	
		'ALS, pri		uying <b>as</b>	Apr	142.80	143.95	143.25	* 742.00	SOTA		000 bu min;	<u></u> -	•
ı	nchanc	ed CPi r	muper e	essed	May	140:90	141.85	141.10	139,10		Close	· . Previous	- High/Lo	<u> </u>
	ionary 1	fears, re	ports Dr	exel	اسك اسك	133.20	137.85 · 133.85	183.50	151.50	- May	748/4: - 758/4:	747/2	749/0: 759/0	740/
				270, basis	Sep	126.40	127.15	126.40	124.80	Aug	758/4	.757/4 `757/0	757/0 ·	749/ 750/
		days m			Dec	120.50	121.00	120.50	118.00	Sep	744/2	747/4	74570	730
		nmoditie I market			CRU			US galls \$		Nov Jan	738/4 746/2	742/4 750/6	740/0 748/0	734) 741/
		ly, or sp				Latest	Previous	- High/Lo	<b>w</b> - · ·	Mer	755/0	758/0	756/0	751
				the grains.	May	21,46	21.22	21.47	- 21.07	<u> </u>				
		cerns ke			Jun Jul	20.41 19.59	20.29 19.53	20.41 19.60	20.08 19.31	SOYA	BEAN OIL	. 60,000 lbe; e	cents/lb	
				ere soft	Aug	18.94	18.95	18.98	18.76		Close	Previous	High/Lo	w
		ion of an			Sep Nov	18.65 17.90	18.52 17.93	. 18.55 17.95	.18.82 17.84	May	23.26	22.92	23.30	22.7
		ss seen. he long t			. Dec.	17.74	17.72	17.75	17.60	Jul Bus	23.50	23.62	23.92	23.3
		the lives			Jen	17.55	17.53	17.51	17.45	Sep	24.18 24.40	23.79 24.02	24,17	.23.7 23.9
				ed as an	Feb	17.35	17.39	17.35	17.35	Oct	24.60	24.25	24.60	24.1
				e report	HEAT	ING OL 4	2,000 US g	alis, cents	/US galls	- Jan	24,92 25,10	. 24.60	24.95	. 24,
				es edged		Latest	· Previous	High/Lo	W-	Mar	25.10 25.55	24.80 25.20	25.10 25.55	24.7 25.1
				Interest	May	5305	5376	5395	5270					
		han expe			Jun ha	5195	5225	5250 · · ·	5135	- SOYA	DEAN ME	AL 100 tons;	\$/10n · · ·	www.
		ed as hea		mission es higher,	Jul Aug	5100 5110	5110 5123	5145 5150	6040 · ·		Close	Previous	High/Los	
				es nigner. ce as first	Sep	5160	5179	<b>5160</b>	5070 · .	May	230.6	230.2		
		or the Ma				5310	533 <b>6</b> .	5330	5290	Jul	230.6 228.9	230.2 229.3	230.8 229.3	226. 227.
		Energy			COC	A 10 tons	es;\$/tonne	8	· ÷	Aug	226.7	227.t	227.0	. 225.
	d a stro	ong adva	лсе ав t	echnica!		Ciose	Previous	High/Lo	<del>,</del>	Sep	223.7 220.7	<u>225.2</u> 222.5	225.0 223.0	223, 220.
		ided sup			May	1358	1323	1364 .	1310	Dec	219.5	221.7	222.0	220. 218.
		over 100	),000 in t	he crude	_ اسل	1260	1255	1250	1247	Jen	218.0	222.0	218.0	. 216
•	irket.				Sep Dec	1250 1265	1254 1267	1262 1275	1246 1261	Mer	218.0	221.5	220.5	218.
	٠				Mar	1270	1288	1275	1289	MAIZ	E 6 000 his	min; cente/		
ŧ	w Y	ork			May Jui	1277 1260	1273	1282	1275					
					3ep	1202	1255 1288	1269 0	1247		Close	. Previous	High/Lo	*
		cz.; \$/tray			=					May	275/4 277/6	276/6 279/4	275/6 278/4	272 274
	Close	Previous	High/Lo	<del></del>	COFF		,500lbs; ca	enta/lbs		Sep.	271/0	272/2	271/4	286
	383.5	385.2	385.2	363.0	_	Close	Previous	High/Lo	<b>.</b>	Dec Mar	270/0 276/4	272/2	270/4	286
	384.6 387.4	387.3 390.1	6 390.5	0 386.3	May	138.00	138.65	140.75	137.70	May	277/4	278/2 279/2	278/4 278/0	272 274
	302.1	395.0	395.0 -	369.5	' Jul Sep	133,68 129,18	134.75 130.00	136.00 130.86	133.10 125.25	WHE	T 5.000 b	u min; cents/		
	397.4 402.7	400.5 406.0	400.7 406.0	398.5 401.9	Dec	125.00	128.01	128.50	124.40	. —	Close	Previous	High/Lo	
	408.0	411,5	408.4	407.5	Mer May	122.25 121.25	121,76 121,50	122.75	121.90 121.00	May	407/0	410/2	409/0	
	413.3 418.7	417.1 422.8	0	0	للتال	120.25	120.25	ō .	Θ.	Jul	399/2	400/4	401/4	., 402 384
		roy oz; \$/1/			Sep	117.75	119.50	0	6	Sep Dec	407/0 419/4	408/4 430/6	409/0	402
	Close	Previous			SUGA	AN MOUTE	**** 112	000 liber ce	nts/lips	Mar	425/0	· 426/0.	420/0 425/4	414/ 419/
	545.5					Close	Previous	High/Lo	<del>-</del>	May	419/4	421/0	<b>D</b>	ō
	648.5	648.2 650.7	546.5 551.5	542.0 542.0	May	12.26	12.25	12,45	12.15	LIVE	CATTLE	0,000 lbs; cer		
	847.5	549.7	550.0	543.5	Jul	12.14	12.19	12.32	12.05	_	Close			_ <u>_</u>
	548.5 550.5	561.2 553.2	650.G	544.0	Oct Jen	12.06 11.67	12.09 11.70	12.19	11.95	4		Previous	Highro	
	<del></del>	by oz; cen		<del>-</del>	Mar	11.67	11.65	11.75	11.64	Apr	77.20 71.62	7 <b>6.92</b> 71.82	77.37 . 71.87	77.1
-					May Jul	11.63 11.63	11.60 11.58	11.70 8	11.69 : 0	Aug	67,77	67.86	68.20	71.4 67.7
	Close	Previous	High/Lo							Sep Oct	68.30 69.02	58.30 . 69.27	0	ø
1	576.3 578.0	581.1 583.0	0 583.6	0 575.0	СОТТ	UN 50,000	; cents/Rye			Dec	70.55	70.50	<b>69.85</b> 70.75	60.0 70.5
i	583.8	588.4	6 .	8		Close	Previous	Highton	W	<u>Feb</u>	71.10	71.00	71,40	70.9
	588.7 580.2	593.9 804.7	594.5 605.0	567.1 . 598.0	- May	65.57	64.70	86,60	64.42	TIME !	40G\$ 30,0	00 (b; cents/	bs ·	
	814.4	620,4	620.5	612.0	Jul Oct	85.43 65.80	65.66 64.60	65.74	65.30		Close	Previous	High/Los	
	619.4	625.6	<u> </u>	0	Dec	84.75	63.74	64,78	64.55 68.66	Apr	40.80	40.72	40,67	40.5
	629.5 639.7	636.0 646.5	631.0 645.0	630.0 645.0	Mar May	65.13 65.38	64.25 64.70	65.20	64.01	Jun Jul	46.50 47.00	46,62	48.60	46.2
	650.1	657.2	655.0	653.0	Jul	65.60	84.95	66.39 64.95	84.60 64.95	Aug	46.10	47.00 45.00	47.05 46.15	45.8
					ORAN	GE JUICE	15,000 ibe	cents/lbs		Oct Dec	42.57	42.40	42.60	12.1
						Close	Previous			Feb	44.50 45.80	44.30 45.25	44.00	44.1
	RS /Re	e: Septem	hor 19 109	1 = 1000	May	177.25	174,65						45.65	45,1
	10-01				· Jul	179.15	176.80	177.50 180.00	174.65 177.25	-OMK		40,000 lbas c	outs/lp	
	A #			20 At #800	Sep Nov	174.60	172.50	175.00	172.85		Close	Previous	High/Lov	
	Apr 17		1995.4	1735.4	Jen	163.50 157.35	161.50 168.60	163.50 157.50	162.60	May	33.30	33.62	34.15	33,1
	2011.6			. 400%	Mer	158.55	155.75	6	156.63 Q	ازیال Aug	33.67	33.97	34.35	33.6
	2011.6	2001.0 Base: Dec.	31 1974 -	100)										
	2011.6 IONES (E 138.35	3ase: Dec. 138.09	138.25	129.24	May	158.55	166.75	9.	0	Feb	38.20 48.87	33.42 49.15	33.75	
10	2011.6 MES (E	Base: Dec.						0			48.87 48.20 49.80	33.42 49.15 48.50	23.75 49.60 48.60	33.07 49.53 49.25



Low

#### **LONDON STOCK EXCHANGE**

## Brighter performance from equities

terday as selective buying by the investment institutions was stimulated in late dealings by Wall Street's strong opening. Worries over domestic interest rates have receded somewhat after the latest batch of economic data, and there were hints yesterday that the Beecham-SmithKline Beck-

Accou	nt Dealing	Dules .
Pirel Desilings Apr 3	Apr 17	May'a
Option Declars Apr 13	rtione: May 4	May 18
Lest Overlage: Apr 14	May 5	May 19
Apr 24:	. May 15	May 30
*New Your dea 9.00 are two be	Gago Roby take Interes days o	place frein after

lenged several times recently. man merger plan may prove
the curtain-raiser for a season
of major corporate deals.

Turnover, which had been
slow during the early part of
the session, increased in late
dealings when Wall Street
broke through Dow Jones
2,350, a strategic level chal
seemed several times recently.
Seaq volume jumped to 530.8m
shares from Monday's 468.1m,
returning to the higher range
of this year's daily averages.
The FT-SE Index closed below
its best, however, with a net
gain of 19.7 at 2,074.4.

The disclosure of a Public

of £2.3bn in March was no sur-prise for the market which is keeping its powder dry for tomorrow's announcement of

UK money supply and bank lending statistics.

The day started quietly, with shares gaining ground at midmorning after a leading UK securities house, reportedly Smith New Court, operated a trading programme involving buying and seiling of blue chips to an overall value of

The buy side of the trading programme was believed to have been completed in the morning, leaving the sell side to be successfully operated later when share prices were

higher. Overall, however, the major houses continued to complain of the low level of business in the marketplace. When prices began to rise, marketmakers were squeezed and obliged to buy stock in the market, thus pushing prices further ahead.

The upswing in prices in the second half of the session again put pressure on cash-heavy fund managers who are still feeling bruised after missing out in the January rally in

Takeover speculation returned to the market yesterdayfollowing developments in some major bid situations. The US legal ruling against

Gas rallied 2 to 177p on 4.7m.

The underlying tension was heightened by hints that ICI, revived last week's suggestions that ICI might be interested in

Minorco appears to leave some UK institutions, which have committed themselves to Minorco's £3.5bn bid, "locked in" for the time being, Disclo-sure of the identity of the bid-der for Gateway Securities, together with full bid details, increased the adrenaim flow. which announced a minor deal in Spain yesterday, might be about to make a major corpo-rate move. Some traders Beecham, which has effectively put itself up for sale by agree-ing to the planned merger with SmithKiine Beckman.

FINANCIAL TIMES STOCK INDICES 86.58 86.72 86.20 85.84 91.31 97.27 97.05 97.15 1761.1 Ord. Di. Yield
Earning Yid %(full)
P/E Ratio(Net)(\(\frac{1}{2}\))
SEAO Bergains(5pm)
Equity Turnover(\$\frac{1}{2}\)
Equity Bergains?
Shares Traded (mi)? Ordinary Share Index. Hourly changes ●Opening ●10 am. ●11 am. ●12 pm. ●1 pm. 1687.5 1688.1 1691.2 1695.1 1699.2 DAY'S HIGH 1708.1 DAY'S LOW 1587.5 Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/35, SE Activity 1974, xNII 10,87 (Excluding Intra-marks business. \* Corrected figure.

#### 1447.B (3/1) 154.7 734.7 43.5 (17/2) (15/2/83) (26/10/71) S.E. ACTIVITY Gilt Edged Bargains 83.4 104.4 Equity Bargains Equity Value 95.3 Equity Bargains Equity Value 186.5 2547.7 TRADING VOLUME IN MAJOR STOCKS

Low

85.93 (4/1)

High

105.4 50.53 (28/11/47) (3/1/75)

## Gateway package revealed

11636

4 .. ..

Gateway were supported with enthusiasm and turnover reached a new peak of 23m shares after S G Warburg revealed the identity of its consortium bidder. The news that Isosceles, a new corporate name, had offered 195p cash for Gateway, and had agreed to sell 62 of the group's super-stores to Asda for £706m if the bid succeeded, did not impress the market and Gateway ended below the offer price at 1871/2p.

The offer was not particu-larly generous and the fact that Gateway shares closed at a discount to the bid price sugsests there's a lot of doubt in the market over the ability of the consortium to execute the deal," commented Mr David Lang, analyst at Henderson Crosthwaite. One marketmaker said that dealers were unsure whether institutional shareholders would accept the price but at the end of the day I feel that the bid will go through because no one alse appears prepared to pay more for Gate-

There was also concern over Asda's part in the deal, in par-ticular the quality of some of the superstores it might acquire; one cynical observer suggested that Isosceles had given Asda a "hospital pass." lowever, another analyst felt that in the longer term it may prove to be a good deal for the retailer. "Within two years I believe Asda can more than double its margins from the stores and improve sales per contact for the formal square foot by 50 per cent. Asda closed 6-force at 145%p. on busy turnover of 28m

#### **BAA** presentation

BAA improved steadily both before and during a long-awaited property analysts' visit yesterday to Heathrow and Gatwick airports. Upward momentum was sustained by suggestions filtering back to marketmakers that BAA was planning to increase by 20 per cent the area devoted to retail outlets at Heathrost and that outlets at Heathrow, and that it is to release more land for development. The stock closed at a new high of 364p, 13 better on the day in sharply higher volume of 4.8m. Marketmakers said that the approaching final figures, due on June 12, also stimulated demand.

Followers of the company have been hampered in recent months by questions of whether to value BAA in terms of the transport sector or the high profit property sector. Mr Clive Anderson, analyst at Kit-

cat and Aitken, said that there was a need to incorporate both methods of valuation into any assessment of the company. Some in the market fear that such valuations will remain variable, if not contradictory, in the run up to the results announcement, although the price seems likely to re buoyant unless analysts reverse the advice given in the recent string of unequivocally bullish circulars.

#### US moves awaited

London traders in Consolidated Gold Fields were still responding to the latest news from the US court hearings on the Minorco bid when the market closed last night. The court ruling overnight against Minorco brought a heavy fall in Gold Fields shares as soon as trading opened yesterday but the price steadied at the lower levels later in the session. At the close, Gold Fields were 58p down at 1290p. Turnover was a moderate 2.3m

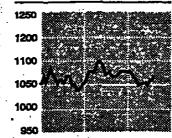
With the US Court likely to continue its hearings for the rest of the week, UK institu-tions have little choice but to hold on to their Gold Fields shares and await the outcome. Some have committed their holdings to Minorco, which they still hope will achieve its target of 50 per cent of the Gold Fields equity by the April 25 deadline

#### Change of tack

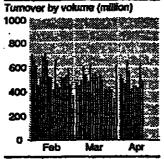
Courtaulds, which has had the reputation for some time of became difficult to buy. The change in sentiment, a leading marketmaker commented, was initially the result of a profes-sional trader struggling to get stock back after having sold short of a chunk of shares via a recent programme trade. lowed and helped raise turnover to 3.0m shares. Speculation of a bid from ICI

emerged as the upturn gathered momentum - the shares closed 13 up at \$10p - but brokers and marketmakers alike gave little serious thought to the suggestion. Mr Tim Adams of BZW said yesterday the market has not yet taken notice of the substantial changes which

## FT-A All-Share index



**Equity Shares Traded** 



have occurred in the group's mix of business over the past two years. Particularly the growth of non-textile and fibre interests. He rates the stock undervalued and has altered his current stance of strong hold to buy. Courtaulds is due to report annual results next

The oil majors put on yet another impressive performance. Volume in the leaders held up well and share prices advanced across the board, helped by the latest improvement in crude oil and petrol prices. Brent for June delivery added some 35 cents a barrel towards the close of business, with the latest upsurge in demand said to have been caused by the overnight advance by 58 petroleum and gasoline futures which moved to three-year highs. Behind the rises in petroleum product may have reduced its output during the first half of April to around its OPEC quota to try to maintain good relations with Saudi Arabia ahead of the

June 5 OPEC meeting. BP edged ahead to 279p on turnover of almost 5m and Shell picked up 4 to 398p on 4.5m with US and other over-seas buyers said to have been back into the market. British

#### NEW HIGHS AND LOWS FOR 1989

NEW NERS (146)
BRATISH FURGO 445 ARESTOCARS CS
CAMADIANS (2) BASES (4) BRATISHES (5)
BUTCHWOOD BROWNEY, Goldmen. Do. 8's pc
CNy. Highson Dist., Manzillan-Cisarivez,
Mandonski Marcillan-Cisarivez,
Mandonski Marcillan-Cisarivez,
Mandonski Marcillan-Cisarivez,
Mandonski Marcillan-Cisarivez,
Marcillan-Cisarivez,
STORES (6) Benchard,
Dochkii, Maddel, BLOCTRICALS (6) Appl'd.
H'graphica, Eurotherm Ret., Forward Tech.,
Misro Form, Racel Electronica, Racel
Misro Form, Racel Electronica, Racel Mario Focca, Recel Electronici, Racel Telecore, Indesdelliment (12) FOCUS (2) Budgens, Gabresy, Tesco, SECETIBLES (2) Aberloyke, Amoc. SR. Ports, SAA. 1836. Bitlers (4). Brickort-O, Creen (4). Bear S. Seces, Elisten, Heutingdon Int. Jarotte Hig., Johnson Clearers, Reral Planeling, Scott Robertson, Serco, Security, Archives, Starshight, Security, Scientify,

(N.), PREURANCE (T) Lloyd Thompson, LEBURE (5) Abritoria, Castle Communa., Citylelon, Falcine Bosts, Rustly Usetal Grp., NewsAPERS (1) PAPERS (2) PROPERTY (6) SHOCE (1) TRUSTS (26) OU.S (4) BURES (2) THROE MARKET (5). WEN'LOWS (40) THROE MARKET (5).

BRITISH PURCS (1) CANADIANS (2) BANKS MATISH FUNDS (1) CAMADIANS (I) BANES (4) ARC, Gerred & Richons), Nat. Aust. Brit. Westper, BURLDINGS (2) Belwinch, Jeanings, CHEMICALS (1) Wards Storys, STORES (3) Casket. Euro Home Prods. To Rect. 618CTBUCALS (1) MAT Computing BRANNESSES (1) ART Trust. MOUSTRALS (10) STR Hyter. Cost. Stationary, Delaway, Dyson (J. S. J.), Hewitt (J.), Mayne Nictions, Pacific Dunion, Relyon, 1917, Virtual Grp., 8861MAMCE (2) Pearl, Taispo, PROPERTY (3) Hemitto Countrywide, Yerr, Warringtons,

## A report that French group LVMH was thinking of doubling its stake in Guinness to 24 per cent — as part of a cross-shareholding agreement Guinness has a 24 per cent interset in LVMH — sent the brandes and dietillory groupe.

brewing and distillery group's shares racing ahead. Although Mr Bernard Arnault, the chair-man of LVMH, only said he was "thinking" of increasing the holding, dealers said that the news was good for the Guinness share price. It rose 17 to 459p yesterday.

Distillery shares continued to perform well on the back of the recent figures from Guin-ness and Highland Distilleries and the growing appreciation of the worth of brand name whiskies. Highland Distilleries rose 7 to 202p, Macallan-Glen-livet added 125 at 2000p and Macdonald Martin "A" rose 50

to 1545p.

Conder, the contracting group, were among the day's outstanding features, with the shares spiralling 132p higher to 665p. The company's pre-tax profits came out at £6.26m, compared with £2.61m last time and the dividend total doubled. "The figures were fantastic, this is the figure we were forecasting for next year," said one analyst.

Ward Group raced up 13 to 260p after a 66 per cent jump in

preliminary profits.

Ward White, the diy and stores group, fell sharply against the trend after amouncing a 17 per cent jump in annual profits to £76.6m. Dealers said the improvement in earnings had been discounted, and that worries among analysts about the make-up of the figures undermined the shares in afternoon trading. They ended 10 down at 262p.
The news that Mr Asher

Edelman, the US arbitrageur, had bought another 100,000 shares to lift his stake to 7.88 per cent helped Storehouse add 6 at 168p on turnover of 3.9m shares. The electronics leaders

attracted solid support across the board with a number of sector analysts taking the view that a Lord Young go-ahead for Siemens/GEC to renew their hid for Plessey would trigger an upsurge in demand for the other top stocks, Racal Electronic, STC and, in particular Ferranti, could all be next in line as a takeover target, eccording to market stories.

Worries over the price Siemens/Gec may offer if their joint bid is renewed restrained Plessey shares which were only a shade firmer at 258p in thin trading. But the Racal duo, Electronics and Telecom continued to make progress with the latter up 10 at 398p on 6.9m and the former 6 higher at 352p. Unitech shares came under

pressure at the outset, amid talk of a rights issue, before

#### steadying and closing a net 8 off at 321p. This followed news that the group is buying Wells electronics, a US manufacturer of connectors, for \$20m, financed by a vendor placing of 3.88m shares at 313p. Elektrowatt, a Swiss group, took up 1.16m shares to maintain its 29.9 per cent stake in Unitech and the balance were "easily" placed in the market. "Given that the shares have

risen some 60 per cent over the of this number of shares is quite impressive." said one analyst. A 6.4 per cent stake in Unitech, viewed as hostile, was recently built up by companies associated with Swiss group Saurer.

Marketmakers took up their

their positions ahead of Hawker Siddeley's finals this morning and the stock closed 6 ahead at 650p. A stream of small buyers caught Camford Engineering traders short and the shares climbed 12 before closing a net 8 higher at 292p. A bullish sector note from Warburg Securities on the manufacturers and the Gateway bid story helped the Foods sector post useful gains. United Biscuits gained most from the

climbing 7½ to 321½p; "UB's growth rate is improving and the premium can be justified by the quality of the business," said the Warburgs team.

A B Foods, which has a 15 per cent stake in bid target Gateway, rose 2 to 337p; the company refused to comment on the 195p-per-share offer for

broker's recommendation,

Gateway.

AB Ports continued to benefit from the ever more widely held view that the company stood to gain strongly from the

abolition of the National Dock the US," said a marketmaker.

Labour Scheme regardless of whether there is a dock strike. One dealer said the company planned to follow in the footsteps of P&O, hit by a long strike last year, and concentrate on almost certain traded. long-term profits in spite of any short-term costs incurred by an industrial dispute. AB Ports improved 6 to 587p. Positive sentiment buoyed

British Aerospace which closed 10 to the good at 575p. New Airbus orders helped as did the feeling that a decision to relax the 15 per cent limit on foreign ownership could not be

Sotheby's continued several days of spectacular leaps with the UK, it's all coming from forecast by the company at the

Euroc is an inter-

national industrial

and trading group.

Mineral-based pro-

ducts form the

foundation of the

Group's operations.

Euroc gives pri-

ority to building

products, building

By mid-session on Wall Street 343,000 Sotheby's shares had

More O'Ferrall, one of the few agency sector stocks in which to be overweight, according to Mr Chris Akers of Citicorp Scrimgeour Vickers, rose 5 to 358p. Strong organic growth, solid management and consistently good returns on capital employed have become the hallmarks of this company, says the Citicorp media analyst. Elsewere, Jefferson Smurfit were marked 18 higher to

Although property group Hammerson revealed a 38 per cent rise in annual profits to £75.1m there was little reaction the biggest one yet: 140 to from the market, mostly 1930p. "There's no turnover in because the figures had been

time of its defence against Dutch bidder Rodamco last year. Hammerson "A" closed

Reyal fit of Scotland.
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570
Sanche & Sanchi
Cambory
Scotl & Heurastle

Otherwise property shares put in a good performance, par-ticularly Rosehaugh, 26 better at 681p on renewed, if vague, bid speculation, and P & O, 18 to the good at 673p.
With one notable exception,

overseas traders followed the wider market trend. Inchcape and Polly Peck were both popular, the former gaining 8 to 257p and the latter 6 to 320p, but Lonrho (324p) dragged behind awaiting the next move in the Bond Corporation saga.

■ Other market statistics. including FT-Actuaries Share Index and London Traded Options, Page 33

## APPOINTMENTS

#### Banerji moves to Citicorp

Dr Arnab Benerji, a director of Nomura Research Institute, the nominal assessment institution, has been appointed head of research at CTICORP SCRIMGEOUR VICKERS.

Nominal stated: "Although now them." to be a competitor rather than a colleague we are glad that Arnab's outstanding analytical-skills are not going to be lost to the investment community career move." Dr Banerii is a specialist in pharmaceutical stocks. The team which ha established and trained at Nomura now consists of Mr Richard Henderson - himself Richard Henderson - himself a previous head of research - hr Brling Rebum and Mr Didler Cowling. Citicorp Scrimgsour Vickers has appointed Mr Simon Smart as head of its newly-formed financial group, and Mr David Richards as head of growth communics. Mr Smart is companies. Mr Smart is finance director of CSV, and Mr Richards is a vice president of Citicorp investment Bank,

M CIBC MORTGAGES has appointed Mr Boy Wright as systems director; Mr Marc icGlen as director (development & marketing); and Ms Monice Talley as marketing manager.

Mr J.A. Schuhmacher has been appointed chief executive director of BREMER

#### LANDESBANK CAPITAL MARKETS, London, and becomes the bank's London representative. He was manager at Landesbank

Stuttgart - now Südwestdeutsche Landesbank London branch. He succeeds Dr U. Zisgenhorn, who is now senior vice president, investment banking division. NORD/LB, in Hanover.

Mr C.T. Went, director of finance and administration and company secretary of NEWCASTLE INTERNATIONAL AIRPORT, has been appointed managing director in succession to Mr J.H. Denyer who is retiring.

**■ Mr Michael Sim** finance director of Greig Fester Group, has been appointed a non-executive director of WE FRID SMITH HOLDINGS.

■ LEISURE INVESTMENTS has appointed Mr Edward Vandyk, chief executive of the health division, to the main

Mr Michael Evans has been appointed director of sales and marketing of APA LEASING SYSTEMS. He was with ard North Central.

# Mr Graham Colhourne has been appointed a director of BARCLAYS SECURITIES S.A., Spenish subsidiary of Barclays de Enete Wedd.

E Mr Geoffrey T. Spencer, head of commercial banking group, and Mr Stuart W. Marshall, head of management

#### ICH money broking chairman

Mr Rod Smith has been appointed to the INTERNATIONAL CITY HOLDINGS board as chairman and chief executive of the money and foreign exchange broking operation, Fulton Prebon (UK). He also joins the board of Fulton Prehon international as co-chairman with Mr Ritchie Hottinger. Mr Smith joins from the main board of Mercantile House

services division, have be appointed directors of COUTIS & CO. Mr Henry G. Hopper, and Mr Authory H. Corin, beed of financial control, have been appointed associate directors of the bank.

m Mr Andrew F. Thomson has been appointed a director of THE ALLIANCE TRUST and The Second Alliance Trust.

Mr David Thistlethwaite has been appointed to the new post of assistant general manager, tressury, at HEART OF ENGLAND BUILDING SOCIETY.

m FORKWAY has appointed Mr John Leach as company secretary. He was finance director of PGW Holdings.

Mr Ron Winters has been appointed managing director

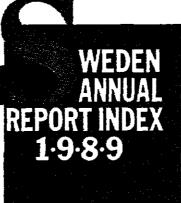
of UCB INVOICE DISCOUNTING. He was director and general manager

Mr John Slater has been appointed UK finance director of PLM REDFEARN. He was formerly group financial controller of Redlearn, a Yorkshire packaging group acquired last December by PLM of Sweden.

Mr Robert Kendrick has been appointed chief executive of MONARCH RESOURCES, which is engaged in gold mining in Venezuela. He was with AMAX inc.



BAA has appointed Mr Colin Sewell-Entter (above) as man-aging director of Airports UK. He was business development manager for Heathrow Air-



and finish materials.

of the United States.

systems for structural frameworks The construction field is so comprehensive that specialization is necessary, especially if a company wants to expand in the international marketplace. It is better to hold a few high market shares in some fields than to spread the resources too thin. This strategy is also relevant for establishing operations geographically. Today, Euroc has focused its efforts on the Nordic countries,

Euroc's positive growth continued in 1988. Sales rose 40 percent to SEK 9.5 billion. Earnings after net financial items - before deduction for minority shares - increased 76 percent, to SEK 821 M. Profitability rose further and has now reached Euroc's long-term goal - a 20-percent return on capital employed in industrial operations.

the European Community and the eastern seabord

In association with the Aker Group of Norway, Euroc acquired two cement manufacturers, Castle Cement in Great Britain and Allentown in the United States, as well as the Vineland readymixed concrete company in the U.S. Euroc also purchased van den Brink in the Netherlands, a producer of lime sandstone, and a majority interest in Zanda, the largest manufacturer of concrete roofing tile in the Nordic countries. All companies are strongly positioned in their markets.



"1988 is a year worth remembering. Euroc's position as one of the leading companies in the industry was further strengthened. Our international operations overseas were expanded substantially and Euroc's earnings

increased sharply for the second year in a row. 1989 has started out well for Euroc and we expect demand to remain strong during the rest of 1989. Euroc's profits should therefore increase further this year."

> Sven Borelius President and CEO, Euroc Group

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**SWEDEN ANNUAL REPORT INDEX 1989** 

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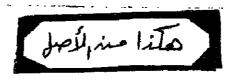
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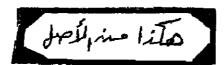
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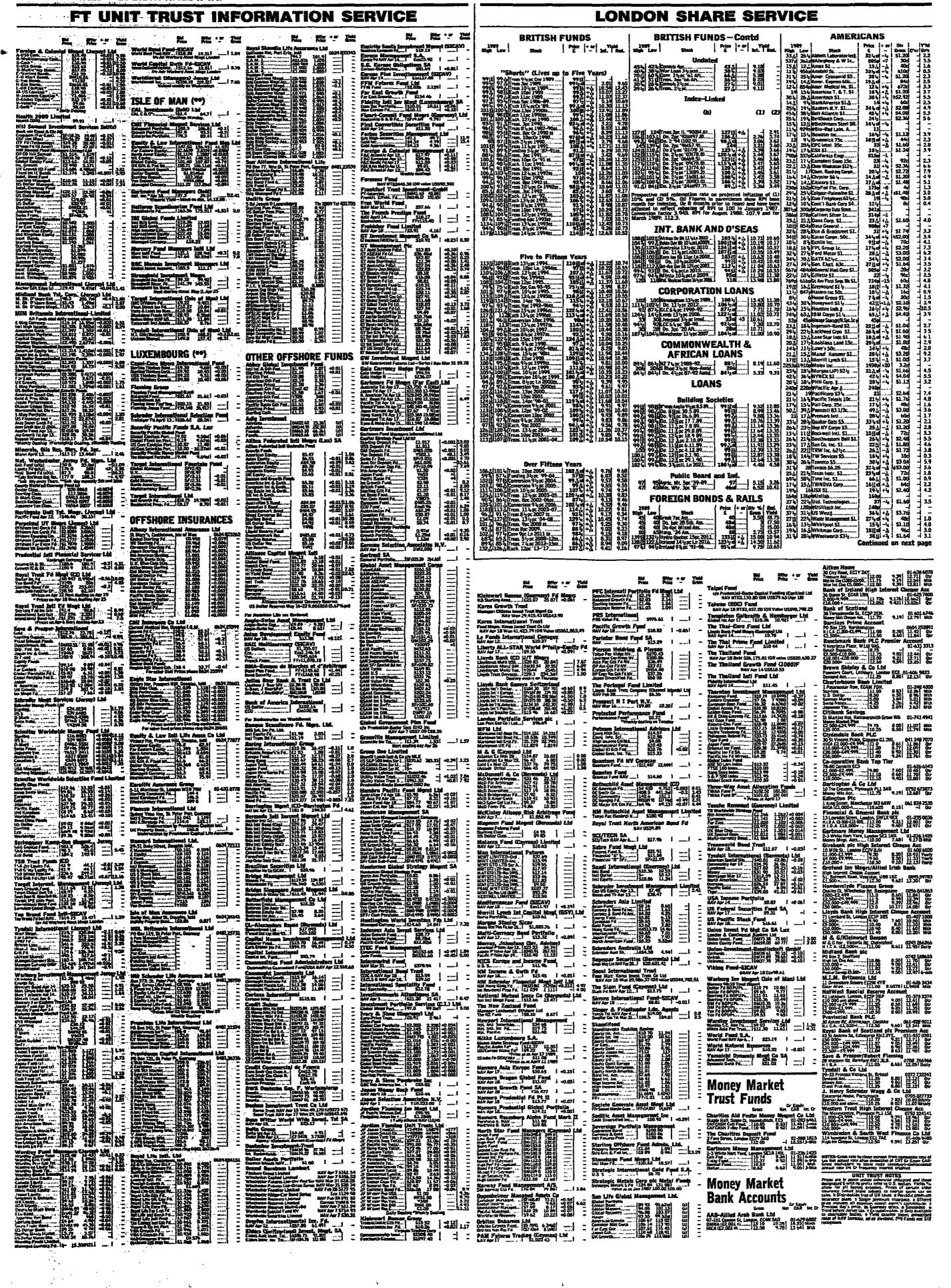


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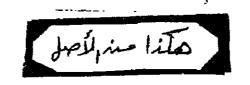


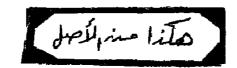
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#### CURRENCIES, MONEY AND CAPITAL MARKETS

The Australian dollar fell sharply after news of a larger than expected current account

deficit in March. A record

A\$1.6bn shortfall contrasted with expectations of A\$1.1bn to

A\$1.5bn, and the Australian unit fell to a low of 79.20 US

cents from 81.15 US cents just

before the announcement. Later trading in London saw

the Australian unit recover to finish at 80 US cents, although

this was still down from 81.30 US cents on Monday.

The D-Mark showed a small improvement against the

French franc, deriving support from recent speculation that the West German withholding

tax may be modified from its present form. The D-Mark rose

to FFr3.3875 from FFr3.3850. Mr

Karl Otto Pöhl. President of

the West German Bundesbank,

said yesterday that he favoured a substantial increase

in exemptions from the tax,

but added that it was unlikely that it would be scrapped com-

±1.5344 ±1.5404 ±1.0991 ±1.3674 ±1.5012 ±1.6684 ±4.0752

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#### **FOREIGN EXCHANGES**

## **Dollar continues to fall**

opening and 95.7 at Monday's

close.
The pound rose to \$1.7180

from \$1.7150 but eased against the D-Mark to DM3.1825 from

DM3.1850. It was also weaker against the yen at Y226.00 from Y226.25. Elsewhere, it finished at SFr2.7975 from SFr2.8075 and FFr10.7800, unchanged from

Sterling continues to derive

strength from the relatively

high level of UK interest rates. The latter adopted a slightly

softer tone yesterday, but there seems to be little chance of an

early reduction in UK bank

42.458 7.8521 2.0585 6.9040 2.3194 0.768411 1483.5

Changes are for Ecu, therefore positive chang Adjustment calculated by Futancial Times.

Beigtan Franz
Danish Krone
German D-Mark
French Franc
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EMS EUROPEAN CURRENCY UNIT RATES

POUND SPOT- FORWARD AGAINST THE POUND

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

**EURO-CURRENCY INTEREST RATES** 

Loog term Eurodoliars, two years  $10^4$ - $10^4$  per cent; three years  $10^4$ - $10^4$  per cent; four years  $10^3$ - $10^4$  per cent; five years  $10^3$ - $10^4$  per cent mostinal. Short term rates are call for US Dollars and Japanese Yen; others, two days notices.

**EXCHANGE CROSS RATES** 

3.387 47.70

10. 3.853

62.95 3.003 96.75 4.615

CM Yen F. Fr. S. Fr. H. Ft. Lira C.S B. Fr. 3.183 | 226.0 | 10.78 | 2.798 | 3.590 | 2336 | 2.036 | 66.65 1.853 | 131.5 | 6.275 | 1.629 | 2.090 | 1360 | 1.185 | 38.80

1.128 15.88

1.280 1.283

1 1.537

1763 1147 5,386 3505

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0.879 12.38

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7A

moment, with central banks likely to intervene again in currency markets should it move up to the DM1.90 level. THE US dollar lost ground in currency markets yesterday as investors unwound dollar positions after the release of US Sterling benefited from the dollar's weaker tone, having data on consumer prices and housing starts. The consumer spent most of the morning trading in a narrow range. It price index rose in March by 0.5 per cent, while housing starts over the same period fell moved firmer during the afternoon as the dollar lost ground. by 5.4 per cent. and its exchange rate index rose to 95.8, up from 95.6 at the

Leading analysts had been looking for a 0.5 per cent rise in the CPI number, but many short-term investors had been working on a larger increase. and had opened dollar posi-tions in the hope that the US authorities might tighten monetary policy.

However, there was little prospect of the dollar moving firmer yesterday after the US data had been released, and it briefly broke through a support level at DM1.8500, before recovering to finish at DM1.8525 from DM1.8565 on Monday; earlier in the day it touched a high of DM1.8640. Against the yen it finished at Y131.50 from Y131.90. Elsewhere, the dollar closed at SFr1.6280 from SFr1.6365 and FFr6.2750 compared with FFr6.2850. On Bank of England figures, the dollar's exchange rate index fell from 67.9 to 67.8. The dollar's upward potential appears to be limited at the

Apr. 18	Latest	Previous Close		
£ Spot	1.7165-1 7175 0.38-0.37pm 1.12-1.10pm 3.52-3.42pm	1 7131 - L.7138 0.37 - 0.35pm 1 14 - L.11pm 3 55 - 3.45pm		
Forward premiums and discounts apply to the US dollar				

#### STERLING INDEX

8.30 am 95.6 95.4 900 am 95.6 95.5 11.00 am 95.6 95.5 11.00 am 95.6 95.5 40.0 pm 95.6 95.5 300 pm 95.6 95.5 300 pm 95.8 95.5 95.5 300 pm 95.8 95.5 95.5 95.5 95.5 95.5 95.			Acr 18	Previous
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#### **CURRENCY RATES**

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"All SDR rages are for Apr.17					

CURRENCY MOVEMENTS

Bank of Mi

Apr.18		Englan Index	á Į	Ggara Change	nty
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Apr 18	£			\$	
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Kongit	10.47	- 0.50Œ0	14 - X	JOU - U.,	27130

Lira Yen	····	147.0			-20.2 -79.0	
OTHE	R CU			itrad IE		80
Apr 18	£			\$		
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**MONEY MARKETS** 

market yesterday, encouraged

by lower US rates. Three-month sterling interbank declined to 13-12% per cent from 13-13 per cent as three-month Eurodollars eased to

day's economic news included a fall of 5.4 per cent in March US housing starts, which gave further support to the theory that the US economy is slow-

credit stance, but the risk of an early rise in US interest rates has diminished.

The Bank of England initially forecast a credit surplus of £500m on the London money

market, but revised this to £450m at noon and to £400m in

The surplus was absorbed

Further easing INTEREST RATES continued when the Bank of England sold to fall on the London money £403m bills to the market. £403m bills to the market. Before lunch the authorities sold £300m Treasury bills, due on April 27, at rates of 11½-11¼ per cent. A further £103m Trea-sury bills were sold to the mar-ket in the afternoon at 11¼-

114-114 93-913 64-54 65-64 55-54 84-78 84-78 84-78 84-78 81-9

0.540 7.602

1.594 0.614

0.491 1.500

0.479 0.887 0.735 1.363

2.953 209.6 1.138 80.77

0844 1563 111.0 5.295 2.578 4.776 3391 16.17

Yen per 1,000: Fresch Fr per 10: Lira per 1,000: Belgian Fr. per 100.

talian Lire ..... B. Fr. (Fin) ..... B. Fr. (Cos.) ...

101-91 per cent from 101-10 per cent. The softer trend in US rates was the result of fad-ing fears about rising US infla-12% per cent. These are also due on April 27. Bills maturing in official hands, repayment of late assis-tance and a take-up of Trea-sury bills drained £36m. This Last Friday's figure on March US producer prices was a little lower than feared and factor was outweighed by Exchequer transactions adding £435m to liquidity, a fall in the

UK closing bank base lending rate 13 per cent from November 25 note circulation of £70m and bank balances above target of In New York the US Federal yesterday's consumer prices index was in line with the gen-Reserve added temporary reserves to the banking syseral level of forecasts. Yester-

reserves to the banking system, via \$2bn of customer repurchase agreements, when Federal funds were trading at 9th per cent.

In Frankfurt call money was steady at 5.85 per cent, after the West German Bundesbank offered liquidity to the banking system through a 28-day securities repurchase agreement tender, with no minimum bid rate. The central bank is expected to roughly replace the DM15.5bn draining from the money market today, as an earlier pact expires. Credit conditions in Frankfurt were gen-Dealers said it is far too early to say that the Federal Reserve will be able to relax its bearing but the risk of an ditions in Frankfurt were generally quite tight, as banks

continued to make tax pay-

ments on behalf of customers

#### FINANCIAL FUTURES

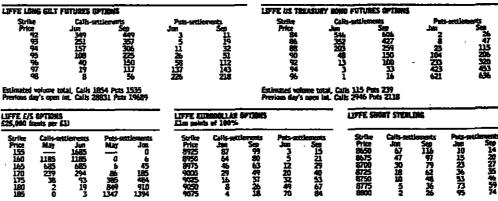
### Prices rise on US data

DOLLAR AND sterling interest rate instruments rose on Liffe yesterday in reaction to the lat-est batch of US economic statistics. It was suggested, how-ever, that the rise in prices of US Treasury bond and Euro-dollar futures was largely a reflection of short covering by traders who went short last week and were too slow to cover after Friday's better than

cient grounds for yesterday's mood of euphoria. expected March US producer

prices index.
The same traders then waited for yesterday's consumer prices for March before finally deciding to cover their positions. Nevertheless, there was a general feeling in Lon-don that a rise of 0.5 per cent in US consumer prices and a surprisingly large fall in hous-ing starts do not provide suffi-

Short sterling futures fol-lowed dollar based contracts higher, as cash interest rates eased in London. A price of 87.07 for June three-month 87.07 for June three-month sterling is roughly in line with the present three-month cash rate, but dealers warned this price could suddenly look too high if today's UK money supply figures and next Wednesday's UK trade figures disappoint.



LONGON SE \$/5 OPTION C12,560 (costs per \$1)

Sep 16.45 4.09 2.00 1.10 0.60 106 106 200 332 504 6.97 May 5.40 2.40 0.40 0.25 0.25 NAY 0.06 0.31 0.90 2.18 4.05 6.07 8.46 Jal 0.95 1.52 2.60 3.99 5.31 7.18 9.25 5m 191 273 382 517 6.72 8.46 10.36 7.40 3.10 1.35 0.90 0.60 159 456 273 166 085 013 LONDON (LIFFE)

20-YEAR 9% 550,860 32				
Jon Sep	Close 95-23 96-19	High 96-01 96-26	Low 95-10 96-25	
Estimated Vo Previous day			228)	
7 10 WELD (	A LIMBOR			-

-10 YEAR 9% HOTSONAL GILT 58,680 32mb of 100%							
eb es	Close 92-17	High	Low	Pres. 92-17			
stimated Volu		65 CL659					

BORB Y190m 100% of 100%						
Jan Sep	Close 104.69 103.93	High 104.70 103.94	104.37 103.65	Pres. 104.54 103.34		
Estimated Volume 706 (361) Previous day's open int. 823 (815)						
THREE MONTH STEID DRG CSD0,000 polats at 180%						

Mar Dec Jun

		3 abras -ac			
	FT-SE 100 1 525 per tub				
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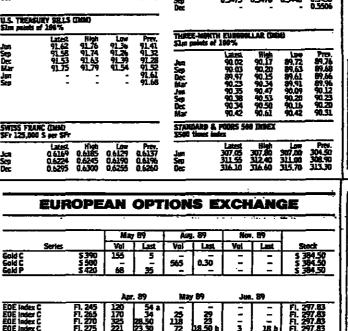
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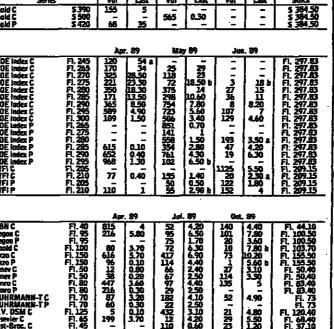
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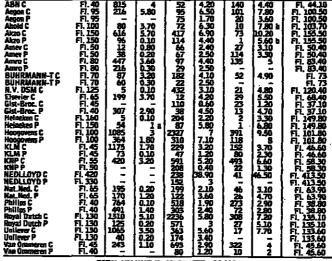
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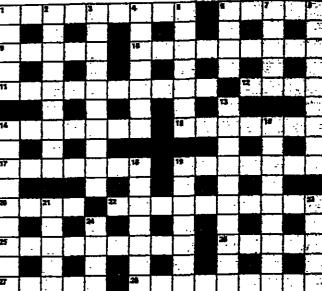


TOTAL VOLUME IN CONTRACTS: 80,019 B = 814 C = Call

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#### **CROSSWORD**

No.6,913 Set by CINEPHILE



1 Captain maybe turning

6 Author going home? (5) 9 Gold backed with pale ash

put in back door by outlaw (5.4) 11 Desire full effect of French

charge (5-2-3)
12 Fish in bottomless lock? (4)
14 Wise men negative defensive line (7)

15 Adverse critic on the door 17 Crowd round back end can be surprisingly methodical

19 Unfinished account for dues makes one irritable (7)
20 A lot of digits are anaesthe-

tised (4) 22 The darker sporting student? (6,4)
25 Thing I take on as a protest

(9) 26 Against one coming to God, classically, on TV (5) Support for proud walker (5) 28 Take over from reps wrapped in leather (3) DOWN

1 Typical mark of the Passeriformes (5)
2 Wood spurred by the bandy (3-6) 3 Like Wordsworth's cloud,

he's awfully near, without being more extended (4,6) 4 Piedge of sincerity (7) 5 Golfer's pen to mouth? (7) Boat for antiques? (4)

it's low church to loiter aimlessly (5) Team poet's cheeky exhibi-

tion (9)
23 Delivered six balls, getting smitten? (6,4)
14 Important doctor taking people to America (9) 16 Ken, monarch at present on

the shell (9) 18 Football team's turned up for cup games – they were swinging (7) Dynamited like a ballcon

(5.2) 21 Elder brother is crowned (5) 23 Wear for hero, definitely (5) 24 North British tax (4) Solution to Puzzle No.6,912

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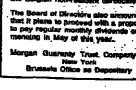
#### LEGAL NOTICES

im the matter of Harlow & Johns Limited IN THE MATTER OF THE MOOLVENCY ACT 1886

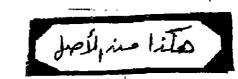
NOTICE IS HERIEBY GIVEN that, We, C. J. Hughes, of Cork Gully, Shelley House, 3 Noble Street, London ECZY 7DC and C. Norris, of Touche Rose & Co. 33/4 Chancery Lare, London WC2A 1EW were, and Joint Liquidistor's of the seld Company on 7th

NOTICE IS ALSO HEREBY CIVEN that the Creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 18th day of May 1999, to send in their full forenames and summans, that advesses and everyptions, full particulars of their debts or chairs and the names and addresses of their Sofictions (if any), to the undersigned

FIRST AUSTRALIA PRIME INCOI RIVESTMENT COMPANY LIMITE Payment of coupon nº 6 of the Interna-tional Depositary Receipts will be chade in US College on or after April 24, 1988; to the ADR-Heislers of record March 31, 1989 at one of the following offices of Morgan Guszanky Trust Com-







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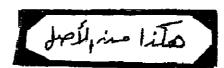
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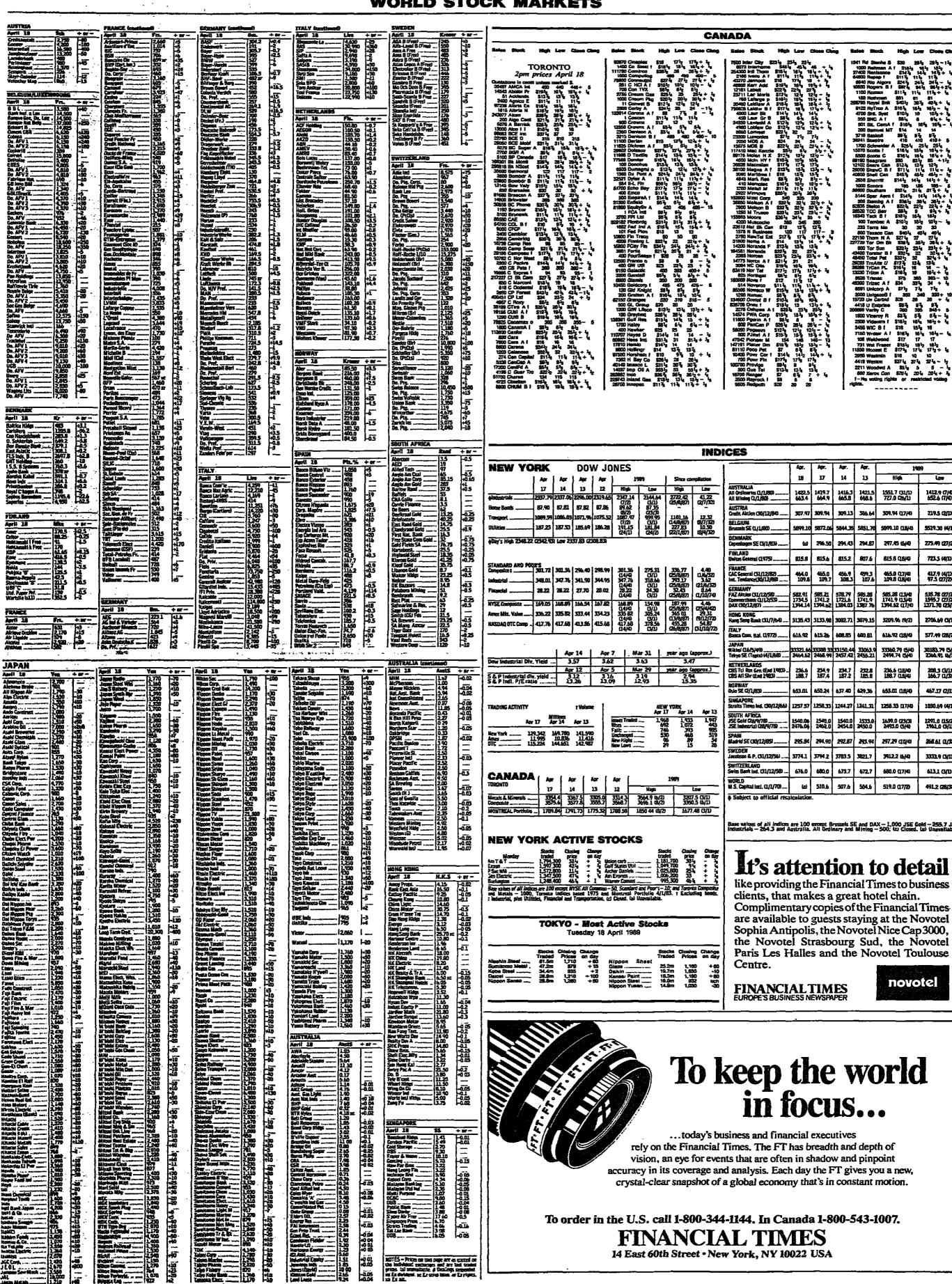
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#### **WORLD STOCK MARKETS**



### NEW YORK STOCK EXCHANGE COMPOSITE PRICES

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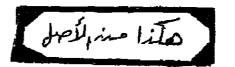
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Nasdaq national market, 3pm prices April 18



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## Dow surges to post-crash record

#### Wall Street

EVIDENCE of substantial weakness in the US housing market and a moderately better-than-expected jump in con-sumer prices last month boosted the equity market to a cost-October crash high by yesterday's midsession, writes

Jonet Bush in New York.
At 2pm, the Dow Jones Industrial Average was quoted 37.58 points higher at 2,375.37 This compared with a post-crash peak of 2,347.14 on February 7. Yesterday's rise came in active volume of 129m shares by midsession and advances outpaced declines by a healthy margin of three to one.

The rally was encouraged by futures-related buying and came at the same time as a substantial rise in bond prices. At midsession, the Treasury's benchmark long bond stood a full point higher to yield 8.95 per cent, the first time the yield has dropped below 9 per cent since early February.

The housing figures were the key to yesterday's strong per-formances in bonds and equities and to the weakness of the dollar. Markets are plainly bet-

more likely to ease monetary policy. Only on Monday, expec-tations in the bond market were still for a further tightening in response to inflationary pressures.

However, if genuine and sub-stantial weakness is indeed beginning to emerge, the Fed may have to be more tolerant of higher inflation in order to avoid a recession. In other words, the Fed could face a typical bout of stagilation. The housing figures were

significantly weaker than the markets had expected. Housing starts fell 5.4 per cent com-pared with forecasts of an unchanged figure and housing permits fell 13.4 per cent. This was the largest decline in a month since permits dropped 14 per cent in October, 1981, when the economy was in the early months of a recession.

Consumer prices were not as important an influence on the market as the housing figures. The rise of 0.5 per cent in March was below some esti-mates which predicted 0.6 per cent because of rising food and fuel costs. Excluding food and energy, the rise was 0.4 per

The equity market had gone

carried over from Friday's rally of more than 40 points after a smaller-than-expected rise in producer prices.

Equity market analysts have been talking about the propen-sity of the market to interpret data with a positive bias. Yesterday's rally in the Dow to a post-crash high means that most of the leading market indices have recorded new peaks within the past few

It will now be interesting to see whether hopes of lower interest rates, which appear to dominate now, will subside in favour of worries about corpo-rate profitability if the econ-omy is weakening as much as the housing starts suggest.

Among featured individual stocks, NWA, the holding company for Northwest Airlines, pany for Northwest Afrines, surged \$8% to \$97. The com-pany said that it would con-sider selling out to the highest bidder and Mr Martin Davis, the investor indicated that he had the financing to sweeten his \$90 a share bid.

Campbell Soup dropped \$1 to \$38% after the company said that takeover speculation was unfounded.

Apple Computer rose \$1 to

## \$40%. Its profits fell by 29 per cent in the second quarter but this was expected. MCI Com-

share. Citicorp, whose first quarter net earnings rose to \$1.52 a share, gained \$% to \$30. Among other banks reporting, Bankers Trust edged \$% higher to \$43, Mellon Bank also added \$% to \$32% and Wells Fargo jumped \$1% to \$70%.

munications jumped \$1% to \$32 after it announced that first

quarter operating net had more than doubled to 55 cents a

#### Canada

THE US consumer price figures helped Toronto stocks build on early gains and by midday the composite index was 18.30 higher at 3,593.94. Advances outpaced falls 258 to 207 on volume of 13.3m shares.

#### **SOUTH AFRICA**

stocks closed marginally lower in moderate trading, with the gold index down 1 point at 1,539, while industrial stocks improved

## Madrid bolsa stirs from its siesta

Peter Bruce looks at the improving performance of Spanish equities

PERHAPS it has some-thing to do with the weather. 1939 started off uncommonly warm in Spain and the cold weather has only recently set in Taxi drivers, who know, say it could be

chilly until June.
At any rate, the Madrid bolsa seems to have woken up suddenly. The market's general index began the year at 276.05 and by March 21 was languishing at 277.26. Volumes for most of the year had averaged just below Ptalobn (\$86m) a day.

In the last three weeks the index has risen some 6 per cent - at one stage it came close to breaking 300 - and trading volumes have grown to between Ptal2bn and Ptal5bn a day. Yesterday the index sed at 295.84.

What has happened? "I think we were being overcritical of we were being overcritical of the inflation figures earlier this year," says Mr Michael Garrett, of Benito y Monjardin International, a big Madrid broker. That was nothing to be ashamed of. The Finance Ministry was so rattled by large increases in the consumer price index in January and February that it formally scrapped its 3 per cent inflation target for the year and has

since refused to name another. Bank stock, normally the foundation upon which any action in Madrid would be based, had also been shaken by the failure of the Banesto-Banco Central merger and in the ensuing nervousness local fund managers built up large liquid reserves. By mid-March, something

had to give. The macro-eco-nomic news has been good and bad. The January and Febru-ary trade deficit of \$1.82bn, totalled nearly 63 per cent of the entire trade gap last year as income from tourism collapsed and a strong peseta con-tinued to make life difficult for exporters. But the March money supply figures were hearteningly low, leading to renewed optimism that the Government may soon soften its two-month-old credit ze and cut interest rates. So a good measure of confidence has returned to the market. Assuming March inflation figures out today are not too awful – a rise of 0.05 per cent could be easily swallowed -Mr Garrett believes the general index will consolidate around 295 for the next few weeks before breaking 300. The first

FT~A World Indices In Sterling terms Spain A 108 106 104 102 100 Europe -ercluding Lik

tiously, could end with the index at about 305 if the Government gets its trade figures, inflation and money supply under control.

A drop in interest rates would be particularly good for electrical utilities, the biggest consumers of debt in the mar-ket. For the present, brokers are concentrating their enthusiasm on construction and con-struction materials companies. Dragados has risen 26 per cent in two weeks. Uralita, the big materials group, was up 6 per

cent yesterday on the beginning of the mouth. In Bilbao, Agreman has gained 40 per cent since the end of March. Another dark horse, Klope, the Basque cilve cils procesor, has climbed \$6 per cent since the start of the year.

Trading in Repsol, the state-

Trading in Repsol, the state-owned energy conglomerate which is floating 25 per cent of itself, begins on May 11 and could take some funds out of the market. But in their pres-ent mood, brokers do not think the drain will be excessive. Ini-tially at least, Repsol's share price is likely to be heavily influenced by New York, where it will also be traded. For the moment, the Spanish

For the moment, the Spanish markets can look forward with some optimism to their 'Big Bang' – the disappearance of ogenies and their replacement by brokers and market makers and the complete introduction of continuous trading - on

Harsh words this month from the Bank of Spain - wor-rying about the absence of industrial stock and the instficient clearing system - are old hat and smack, typically, of the authorities turning up to the party too late and badly

## Wary institutional players US inflation numbers add to bullish mood stick firmly to sidelines

#### Tokyo

INDIVIDUAL buying continued to support equities but the market's energy was sapped by a clear lack of institutional interest, writes Michiyo Naka-

Although share prices were higher in early trading they remained within a narrow range throughout the day, closing with a modest gain of 13.33 at 33,321.66. The day's high was \$3,351.77 while the low was 33.217.12. Advances only just led declines by 446 to 439 while 181 issues were unchanged.

Turnover improved substantially to 1.09bn shares from Monday's 770m. But the Topix index of all listed shares lost 4.37 to 2.464.62 and later London trading the ISE/Nikkei 50 index rose 6.63 to 1,964.49.

Institutional investors and foreigners remained wary about the political instability caused by the Recruit financing scandal, Mr Kunio Takof education who was arrested for accepting bribes from Recruit, was expected to be indicted yesterday together with Mr Hiromasa Ezoe, for-mer chairman of Recruit. With these indictments the Public Prosecutor's Office is expected to concentrate its attention on Recruit's political connections, specifically on the issue of whether Mr Ezoe received pref-erential treatment in exchange for financial favours to various politicians

Institutional investors as well as foreigners were thus cautious about taking an active part in the market and even individual investors, who have been the market's pillar of strength, preferred not to keep positions for very long.

Although trading volume improved considerably, "it was not a very lively market," said an analyst at New Japan Secu-rities. Individuals were basically out to make profits and they chose issues that moved rapidly. One analyst said small investors had plenty of cash and jumped on any issue supported by positive news, but

NATIONAL AND REGIONAL MARKETS

Figures in parentheses show number of stocks per grouping

Australia (89).

Austria (18). Belgium (63)

Canada (127)

Finland (26).

Italy (98) Japan (4551

Malaysia (36) Mexico (13)

New Zealand (24) New Zealand (24). Norway (26). Singapore (26). South Africa (60). Spain (42). Sweden (35).

Switzerland (57) United Kingdom (316)... USA (562)....

Euro-Pacific (1687).

Euro-Pacific (1687). North America (689). Europe Er. UK (692)... Pacific Ex. Japan (224)... World Ex. US (1887)... World Ex. UK (2133)... World Ex. So. Af. (2389)... World Ex. Japan (1994)...

There was some concern about inflationary pressures stem-ming from remarks by the Minister of Finance that rising crude oil prices could lead to inflation.

Interest yesterday again focused on the environment protection theme and special situation stocks. Daicel Chemical Industries, a producer of acetic acid cellulose, was bought on news that the company has developed a new type of celluloid that can be decomposed with bacteria. Daicel rose Y100 to Y1,210 in heavy

Nippon Sheet Glass, Japan's second largest sheet glass maker, was also actively traded and advanced Y60 to Y1,160. Interest in the company was triggered by reports that it is involved with the National Research Institute for Pollution and Resources in looking at ways of dissolving carbon dioxide. The issue's low price was another factor behind its

Nippon Sanso, the country's largest oxygen manufacturer, rose Y60 to Y1,260. The company produces argon gas that decomposes chlorofluorocar-bons, which are blamed for depleting the earth's ozone

Nisshin Steel maintained its recent strength. The company, a blast furnace operator, was popular for its good business performance stemming from strong demand for steel sheets, It was the most actively traded stock with 61.5m shares and gained Y60 to Y1,710. Sumi-tomo Metal, the largest integrated steelmaker, followed with 47.2m shares, and rose Y15 to Y879. Kobe Steel was third with 34.4m shares and added Y2 to Y935. Nippon Steel, however, closed

Interest in the larger steels was not very strong as their prices do not move enough for individual investors to make quick profits, one broker said. Selective buying of special situation stocks supported trading in Osaka where the OSE average closed up 144.14

MONDAY APRIL 17 1989

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173.44 120.90 67.65 194.17 155.98 143.35 154.59 156.71 77.32 146.45 122.81

120.83 154.83 185.02 159.36 123.44 104.76 126.80 158.36 144.38 144.56 122.85

144.55

at 32,105.67. Volume improved substantially to 117m shares against 52.5m on Monday. Nip-pon Sanso rose Y130 to Y1,280.

#### Roundup

THERE was little change at the end of the day for leading Asia Pacific markets, as the wait for US data instilled

AUSTRALIA ended little changed as an early rally fal-tered on news of a worse-than-expected current account defifigure for March, at

The All Ordinaries index

picked up 2.8 to 1,422.5. Vol-umes reached 176.7m shares worth A\$288m and the number of shares falling led those ris-ing by about four to three. ANI saw active trading, rising 16 cents to A\$1.38 on turn-over of 6.1m shares, much of it reported to be bought by Capel Court Powell. A buyer friendly to the company was thought to be accumulating a substantial

Speculation that Westpac bank might be planning a bid for Challenge Bank and Advance Bank boosted all the stocks. Advance jumped 15 cents to A\$5. Challenge added 10 cents to A\$4.40 and Westpac put on 5 cents to A\$5.02. SINGAPORE retreated slightly from Monday's post-crash high after an after-

noon of hectic trading as profit-taking mixed with bargainhunting. The Straits Times industrial index eased 0.76 to 1,257.57. Turnover was also below the previous day's record, at 135m

The high price of tin buoyed individual mining issues, and Kuchai Development rose 50 cents to \$\$3.70 while Sungei Besi gained 35 cents to \$\$5.50. HONG KONG was on hold before the release of US infla-tion statistics, due after the close, and the Hang Seng index edged up 1.45 to 3,135.43.

Blue chips saw the most activity, with property stock CheungKong rising 10 cents to HK\$10.80. Turnover stood at HK\$1.5bn in value

US Dollar Index

129.07 122.82 133.41 135.00 174.85 153.85 120.01 87.74 130.52 147.41 81.90 188.80 173.99 1171.99 1171.99 119.89 66.84 157.85 154.93 76.66 145.66

119.49 152.10 183.92 158.16 123.30 103.46 125.52 157.23 143.67 143.78 122.23

2.25 143.78

FRIDAY APRIL 14 1989

Local Currency Index

106.10 119.82 129.47 116.08 172.87 119.07 85.30 130.37 145.61 83.98 157.71 145.27 115.45 117.49 125.

110.87 148.86 154.23 136.93 122.27 101.18 110.54 136.26 132.15 131.66 118.09

1989 High

157.12

137.27 180.38 158.27 121.64 90.40 133.77 149.15 86.88 200.11 175.29 173.48 120.90 76.02 194.17 155.98 144.86 154.59 154.59 154.59 155.33 122.81

120.88 154.83 194.72 164.22 123.44 104.76 137.65 162.77 146.04 146.65 122.85

125.47 131.61 146.51 138.83 129.44

Pound Sterling Index

112.63 107.17 116.42 117.80 152.53 134.34 104.72 76.56 113.90 128.63 71.47 164.75 151.08 104.61 158.33 163.64 113.73 126.40 123.40 126.59 126.59

104.27 132.72 160.49 138.02 107.59 90.28 109.54 137.20 125.37 125.46 106.66

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood

Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Gross Div. Yleld

5.23 2.10 4.30 1.89 1.458 2.24 3.98 3.448 0.48 2.613 4.46 6.72 1.96 4.02 3.34 4.45 9.34 4.45 9.34 4.45 9.34

3.58 1.99 0.70 1.59 3.57 2.88 4.55 1.66 2.03 2.24 3.62

Local Currency Index

111.21 150.46 154.85 137.44 122.40 101.73 111.35 136.74 132.56 132.03 118.33

131.99

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US 5 index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US 5 index), 114.45 (Pound Sterling) and 123.22 (Local).

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Switzerland (Zurich) closed April 17. Latest prices were unavailable for this edition.

Constituent change: Wicks Inc. (U.S) was deleted April 18.

## THE US consumer price figures proved the latest addi-tion to a spate of bullish news

for bourses, which generally ended higher, writes Our Mar-PARIS had a sleepy morning s investors awaited the US

inflation figures, but quickly came to life after the news. Share prices jumped by about 1 per cent in less than three hours in afternoon trading and volumes improved.

The market opened weaker and drifted lower throughout the morning with trading dampened further around mid day by a bomb scare and evac-uation of the stock exchange. But by the close, the CAC 40 index was up 8.78 at 1,701.18 and the OMF 50 index gained 2.61 to 480.97.

The CAC General index eased 1 point from its all-time high of 465 reached on Monday. Vallourec, the steel pipe producer, was actively traded before announcing a return to profit after the close, and rose FF15.50 to a new high for the year of FFr400 with about 100,000 shares dealt. GTM-Entrepose, in which Vallourec has a sizeable stake, was one of the day's biggest rises, adding FFr99, or 7.7 per cent, to

French houses have been buying Vallourec on specula-tion that Tubacex of Spain could make a full bid for the group. Tubacex officially has a stake of about 10 per cent in Vallourec but is thought to have doubled this in recent

active buying.

Peugeot recouped lost ground to close unchanged at FFr1,785, before its release of annual results today. LVMH found FFr5 to FFr3,833 after chairman Mr Bernard Arnault said the luxury goods group might double its stake in Guin-ness of the UK to 24 per cent. AMSTERDAM had another buoyant session, lifted by the US inflation number and by

Wall Street's strong rise. The CBS tendency index reached another year's high, adding 1.5 to 182.9 and trading volume was estimated to be higher than Monday's active Fl 860m. Most of the activity centred on rumoured takeover targets, with Nedlloyd again seeing heavy trading and rising Fl

DOLLAR INDEX

1989 Low

128.28 92.84 128.52 124.67 165.53 112.57 81.77 111.80 125.00 78.16 180.30 143.35 153.32 110.63 66.84 139.92 124.57 143.14 138.45 74.05 134.53 1138.45 74.05 134.53

114.02 137.95 176.37 152.83 112.79 98.84 123.48 152.04 138.06 138.82 114.51

Year ago (approx)

121.22 92.02 127.75 124.82 118.65 124.76 87.84 79.04 100.63 121.08 79.21 173.30 125.47 135.73 110.23 77.25 128.01 107.53 1107.53 1107.53 1107.53 1107.53 1107.53 1107.53

110.71

Fl 29.50 advance. There was speculation that shareholder Mr Torstein Hagen was trying to set up an investment fund that would buy shipping companies. Nedlloyd was seen as a prime candidate.

A lot of trading was again options-related, as dealers covered positions by buying up the underlying stock before Friday's expiry day on the European Options Exchange Fellow transport stock Van Ommeren Ceteco rose Fl 1.60 to Fl 45.60 on bid speculation.

Steelmaker Hoogovens was popular again, up Fl 2.10 at Fl 101.80 on hopes of good news on first quarter performance at today's press conference.
In publishers, VNU was active and rose Fl 230 to Fl 97.30, having underperformed

for the past few months. FRANKFURT paused for breath, with brokers less active in the wait for the US con-

sumer price figures. The FAZ index at midsession was off 2.3 at 582.91 while the DAX index closed 0.48 easier at 1,394.14. Volume continued to drop from last week's ebullient lev-

els, but it was still active at

DM3.97bn, and shares moved higher in after hours trading as Wall Street welcomed the US inflation figures for March.
Utility RWE was the day's
most active stock, climbing
DM9.90 to DM279.70 as shares worth DM323m changed hands. Its strong move was aided by renewed enthusiasm for its

restructuring plans. Nixdorf, the computer manufacturer, closed DM1.20 higher at DM317.80 after recovering from a fall. A press conference revealed that Mr Arno Bohn, marketing director, was resigning, and that the company expected another difficult year

after a 90 per cent fall in 1988 MADRID built on Monday's

general index rose 0.94 to

Dragados rose to a year's high of 621 of par, a gain of 21 points, and Focsa rose 50 to 2,300. News that Citroen carsales rose 14.6 per cent last month left the Spanish car maker with a gain of 20 at 1,675 while Fasa Renault fell 5 to 525, its sales having fallen by

10.2 per cent in the month.

MILAN was helped to a slightly higher close by the inflation news from the US, and the Comit index rose 1.66 to 616.92, ending off its highs on profit-taking.

Flat was sought, rising L54 to 1.9,464 after strong results from its trucks subsidiary Iveco. Among buoyant second-liners were Marzotto, textiles stock, up L570 at L8,200, and Snia Fibre, up L98 at L1,620. ZURICH was held up by the

wait for the US data and the

gains as investors continued to Credit Suisse index rose just buy construction stocks. The 1.1 to 575.8.

Sandoz continued to benefit from speculation that it will open its registered shares to foreigners. The registered stock added SF150 to SF19,350. while its bearers put on SFr100 to SFr10,800. Machinery issue Schindler saw its bearers rise SFr75 to SFr5,350 after announ-

cing higher sales, profits and dividend for last year. STOCKHOLM stuck in the doldrums, with the Affars-varlden index off 6.8 at 1,106.2, amid worries that next week's revised budget will contain a new tax on company profits. Hexagon free B shares fell SKr1 to SKr174 after the group

rejected two rival bid offers from private companies. BRUSSELS had another strong session as foreign and domestic investors picked up blue chips, taking the cash market index 27.04 higher to

This advertisement relates to CMB Packaging S.A., the name to be adopted by Carnaud S.A. following the merger with Metalbox Packaging, the worldwide packaging interests of MB Group plc. This advertisement is issued in compliance with the regulations of The International Stock Exchange of the United Kingdom and the Republic of

Ireland Limited ("The Stock Exchange"). It does not constitute an invitation to any person to subscribe for or purchase any securities Application has been made to The Stock Exchange for the share capital (both issued and to be issued) of CMB Packaging S.A. to be admitted to the Official List. It is expected that the shares will be admitted to the Official List on 26th April, 1989 and that dealings in the shares will commence on



# CMB Packaging S

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Supplementary Listing Particulars will be published on the Scheme becoming effective. Listing Particulars relating to CMB Packaging S.A. are now available and Supplementary Listing Particulars will be available from the date of their publication in each case until 3rd May, 1989 during normal business hours at the following addresses:

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Lazard Brothers & Co., Limited London EC2P 2HT

azard Frères et Cie. 121 Boulevard Haussmann, 75008 Paris, France

MB Group plc ersham Bridge House, Waterman Piace, ng, Berkshire RG1 8DN

65 Avenue Edouard Vaillan: 92100 Boulegne sur Seine.

and from the Company Announcements Office, 46-50 Finsbury Square, London EC3A 1DD on 20th and 21st April, 1989 in respect of Listing Particulars and on 26th and 27th April, 1989 in respect of Supplementary Listing Particulars.

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12 Tokenhouse Yard London EC2R 7AN Listing Particulars and Supplementary Listing Particulars will be available in the statistical service maintained by Extel Financial Limited from 26th April, 1989.

19th April, 1989





## **FINANCIAL TIMES**



From its identification with utility or military vehicles, the 4wd sector has been transformed into a

wider and more fashion-conscious market for leisure/utility vehicles. Japanese niche strategies pose a severe challenge to Western producers, John Griffiths reports

## The creation of demand

TOWERED OVER by a line of bearskinned and kilted bagpip-ers, Mr Osamu Suzuki listened dutifully, and with total uncomprehension. A Scottish dignitary was holding an earnest, one-way conversation with a sheep's stomach stuffed with offal and oatmeal. Then, stiffened by a whisky and with the halting cry of a samural beset by sudden inner doubt, the president of Suzuki Motor Company stepped forward and stabbed

This bizarre scene in an Edinburgh hotel late last year marked the first time Suzuki had used Scotland, or even Europe, to introduce a four-wheel drive vehicle to the

(It was also Mr Suzuki's own introduction to Scotland's world-notorious dish, the haggis, and to the poet Robert Burns' traditional address to it prior to its demise). The scene was no more

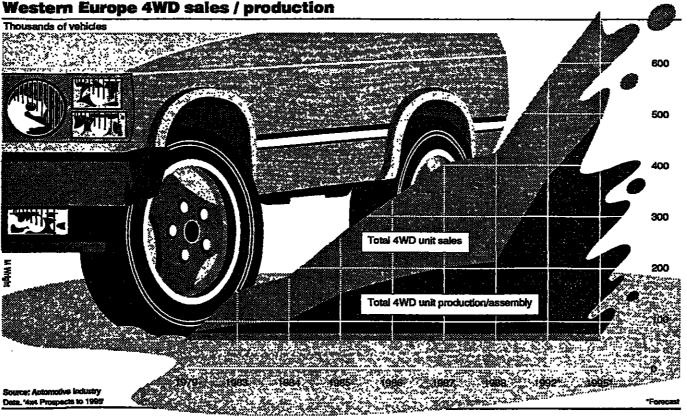
bizarre, however, than some aspects of the burgeoning world 4wd market of which Suzuki has made a speciality. Even Mr Suzuki seems at a loss to explain precisely why Suzuki's small, harsh-riding and, by car standards, slow SJ range of purpose-built off-road leisure vehicles – best known as the Samurai – should have

attracted a cult following

throughout the Western world. Yet they were Western Europe's most popular pur-pose-built 4wd leisure/utility vehicles last year, with just under 50,000 sold, and one of North America's biggest sellers as well, with 57,000 units sold. This was despite sales being slowed last year by accusa from consumer groups on both sides of the Atlantic that the vehicles were prone to rolling

over too easily. The Scottish ceremony, however, was to launch a slightly larger model, the Vitara, aimed according to Mr Suzuki "at making a breakthrough in the European market by creating a demand that did not previously

The design concept behind the Vitara has been to combine off-road abilities with the onhighway noise levels and ride comfort of a conventional car, wrapped up in a "sporting" styling package. So sure are both Suzuki and General Motors that the vehicle will create an extra market niche for itself that Suzuki plans to build it in Spain at a rate of 24,000 units a year starting in 1990, while output of up to 80,000 units a year — to be badged as the Suzuki Sidekick and Geo Tracker (for GM) – has just begun in Canada. Mr Suzuki's remarks about



## Four-Wheel Drive

eating demand where none had existed previously sums up much of what has been hap-pening to transform the world market for 4wd vehicles in

recent years.
Outside North America in the early 1970s, it comprised essentially a utility and mili-tary market, typified by the 40-year-old Land Rover. The birth of the upmarket Range Rover at that time suggested that its manufacturer, Land Rover, was aware that a wider, more fashion-conscious, market might exist waiting to be tapped; but most other Euro-pean vehicle makers ignored it.

Meanwhile, in the wide-open spaces of the US and Canada where off-road vehicles could be used without usually offending environmental interests, the Jeep and other US-produced 4wd machines increasingly became used for recreational purposes as well.

The purpose-built "leisure"
4wd vehicle concept survived the first oil crisis of the early 1970s and mushroomed during the middle of the decade to the extent that, by 1978, US manufacturers were producing twice as many 4wd vehicles as the rest of the world put together.

The boom was brought to an abrupt halt by the second oil crisis of 1979-80 - but not before Japanese producers had realised the potential of the sector and begun offering their own, generally smaller and economical alternatives

to the US domestic product.
The Japanese-built machines were offered in widely varying sizes and formats - including 4wd pick-up trucks which were to go on to become a craze in themselves in North America - as manufacturers like Dai-hatsu and Suzuki sought to break up the hitherto relatively monolithic 4wd market into exploitable niches.

This they have done to dev-In developing countries, they used these types of vehicle to gain toeholds which later would pave the way for them to capture "conventional" car markets as well.

■ In North America, they started a market fragmentation process which put even the entrenched American Motors Corporation Jeep - owned for the past two years by Chrysler - under severe pressure. In Western Europe, particularly since the early 1980s, they

have created a "leisure" market for purpose-built 4wd 52 per cent, or 13,900 vehicles, vehicles which previously was were AMC Jeep models, disvirtually non-existent, and to which even now there has been

little West European response. West European sales of purpose-built 4wd vehicles, most of them Land Rovers, totalled 59,100 units in 1979. Last year, according to market analysts Automotive Industry Data, more than 265,000 purposebuilt 4wds were sold Many of them, like the

revealingly-named Sportrak model just launched by Dai-hatsu, will be used much more for carrying children to school, or metropolitan restauranthopping, than for travelling
cross-country – to which, in
any case, there is rapidly
mounting hostility from European environmentalist groups.
With the exception of Land
Rover whose various models Rover, whose various models accounted for 28,000, or 10.6 per cent, of the European total, only a relative handful of sales were accounted for by West

European products. Nearly 76 per cent of sales were of Japanese vehicles, including Suzuki and Nissan models produced in Spain where further production expansion is planned. Another tributed by Renault of France. The halance of 4.7 per cent or 12,400 vehicles - was made up of cheap Niva models built at the giant Togliatti plant of VAZ, the Soviet manufacturer of Lada vehicles.

Romanian-built Dacia 4wd vehicles are also selling in small numbers in the West, and it is possible that the Soviet challenge will increase in the next few years, as a result of perestroika and an increased Soviet hunger to earn hard currency. It is indicative of Soviet ambitions in this direction that £420m is currently being spent on a research and development centre at Togliatti aimed at creating a wider range of world-competitive vehicles.

A belated West European response has begun to Japan's creation of what is in effect a new market in Europe's back-

Chrysler and Renault are investing \$500m jointly to develop and produce a small, Suzuki-sized leisure/utility 4wd AMC Jeep range which is to be produced in both Europe and

#### CONTENTS

West European market: 'mature growth after pause for breath' Japan: macho for the masses 3 US sales growth: image of utility plus comfort

Trucks: on parade Coming up next a look at the new Safety controversy: industry Resale values: second-hand Joint ventures: Sevel; Santana 7

How they perform: the tangs have Millustration; Michael Wright

the US (Chrysler itself bought AMC from Renault) and which they hope will sell at a rate of 100,000 units a year in North America and 50,000 in Europe. Ford has chosen the collaborative route, and is considering a joint project with Nissan.

■ Land Rover will launch an all-new medium-sized model of an upmarket specification at the end of this year. It is aimed at countering models like Mit-subishi's Pajero/Shogun range, more than 30,000 units of which were sold in Western Europe alone last year, and which outsold the Range Rover by almost two-to-one.

The North American industry has fought back against the Japanese onslaught recently. AMC Jeep sales, for example, rose sharply last year, by 21 per cent to more than 253,000 and both General Motors and Ford have seen a recovery in sales of their larger 4wd leisure/utility vehicles like the Chevrolet Blazer (184,000 sales last year) and Ford Bronco and Bronco II (180,000). Ford, like GM, is choosing to

attack in the small 4wd through a joint venture, but this time with its South Korean affiliate producer Kia, which already makes a small car for Ford. The planned vehicle would be built initially in South Korea, but later in North America as well at a rate of up to 70,000 vehicles a

year - similar numbers to the GM-Suzuki joint venture. But the competition is still intensifying: Isuzu and Fuji Heavy Industries, owner of Subaru, are setting up a joint venture plant at Lafayette, Indiana, which will produce sport-utility vehicles to comple-ment Isuzu's existing Trooper range and Subaru's 4wd cars. In talking of the venture, Isuzu president Mr Kazuo Tobiyama has underlined the market fragmentation theme by saying that Isuzu itself must seek to produce models that are different and of the need for significantly shorter model life cycles - to three years or less in the case of cars.

At the very top end of the market, the UK's Range Rover has been carving out a niche of its own in North America, following its debut there two years ago. Last year's sales reached 3,500 units, despite price tags of \$35,000-plus.

The growth of the specialist

4wd sector, at least during the past year, has not been with-out hiccups. One major one came with allegations that vehicles of this type are too prone to roll over. While US highway safety authorities refused a demand by one consumer group for a recall of the Suzuki Samurai, the issue of 4wd safety itself is rumbling on, with some US producers also having their vehicles looked at more closely.

And dismay was caused to importers to the US, by far the largest single market for 4wd vehicles, at the beginning of this year when US customs announced a 25 per cent import tariff on them, declaring them to be commercial vehicles. Last month, however, the US Treasury Department partially rescinded the ruling, declaring that four-door models obviously aimed at carrying passengers would be exempt.

Such blips aside, most fore-casts are that growth in the 4wd sector will continue for the foreseeable future in all the world's developed markets, if not at quite the explosive pace

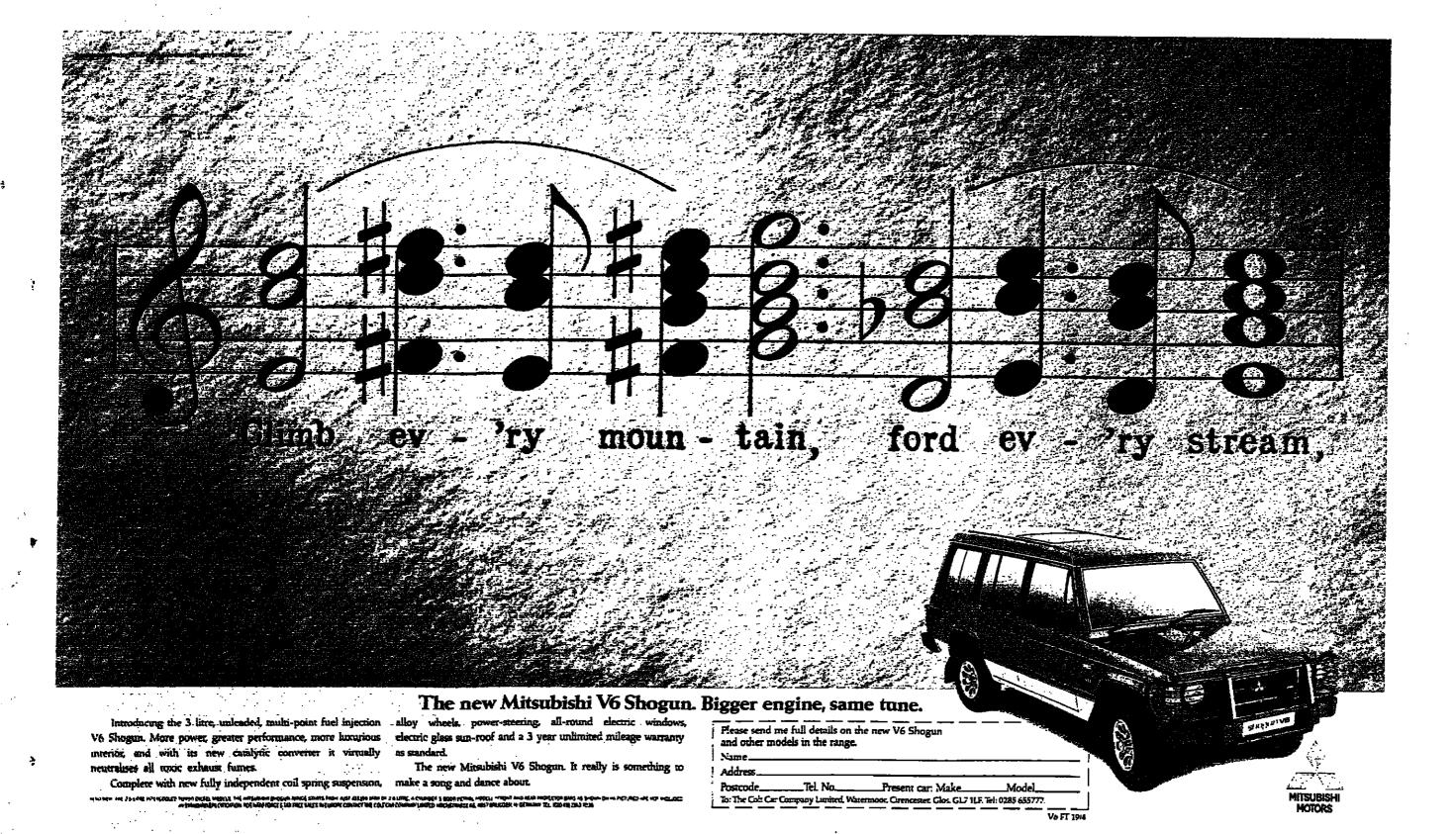
of the past few years.

Mr Peter Schmidt, who specialises in the 4wd sector at Automotive Industry Data, sees particular growth for the sport-utility sector, leading to sales of nearly 400,000 units by 1995, compared with 265,000 in 1988. And he projects a doubling of sales in Europe of "conventional" cars fitted with 4wd systems, to around 320,000, compared with just under

160,000 last year. The ability to travel off-road is considered to be low on the priority list for 4wd. Much more important to buyers, sug-gest executives of companies like General Motors, whose Opel Vectra medium saloon has just been launched with 4wd in Europe, is the extra roadholding and security offered on wet and icy roads and, lurking in the background, the image of "sophistication" attached to it.

It is in this sector, at least that European producers have a relatively comfortable position, for the moment at least vis-a-vis the Japanese.

The region's best-selling 4wd car is a Fiat - the Panda - and only three of the top 10 best sellers are Japanese. That compares with eight out of 10 in the sport-utility sector.





ZEG-ESSES LOOF T-REE Chem block for me and AND THURK to ME ELEVI What a wonderful werld. I see skies of blue and clouds of the bright blessed day, the days say and I think to myself what a wonderful world. The colors of the rainbow, so pretty in the sky are also on the faces of people going. I see friends shakin' hands, sayin' "How do you do!" They're really sayin' "I love you, I hear bables cry, I watch them grow They'll learn much more than I'll ever jen and I think to myself What a wonderful world Yes, I think to myself. What a Wonderful World.

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FIVE YEARS of rapid growth in the West European market for four-wheel drive cars was thrown into reverse last year, when total sales in the region's 14 largest markets fell to 159,800 units compared with 167,400 in 1987. 167,406 in 1987. But one of the industry's

sut one of the industry's closest observers of the 4wd scene, Automotive Industry Data director Mr Peter Schmidt, suggests that the sector is just pausing for breath. In 1992, he predicts, Suropean 4wd car sales will be approaching the 240,000 mark and will be comfortably over the 300,000 threshold in 1995.

threshold in 1995. In the meantime, European demand is continuing to climb for purpose-built sport/utility 4wd vehicles, typified at the small end of the scale by the Suzuki SJ range and at the large end by the UK-produced.

Range Rover. Even here, however, the sharp percentage increases wit-nessed during the past few years, of 20 per cent or more per year until 1987, are starting to abate.

Last year's total sales in the 14 markets, of 265,100 units according to figures to be published by Automotive Industry Data next month in a major analysis of 4wd prospects to 1995\*; represented a rise of "only" 13.2 per cent on 1987's

234,100. However, by 1992 this sector will have grown further to reach 337,000 sales, leading on

to 398,000 units in 1995. What both sets of figures indicate, according to Mr-Schmidt, is that "retail demand has entered a second phase, moving from an extremely buoyant introductory, rapidgrowth phase, to more mature

Some specific factors, however, also affected the market. In the sports/utility sector, the market-leading Suzuki SJ range lost both unit sales and market share, almost certainly because of the "roll-over" con-troversy (see page 7 of this sur-vey) which at one stage caused

'Milking' describes how some approach pricing policies

its sales in the UK to plummet

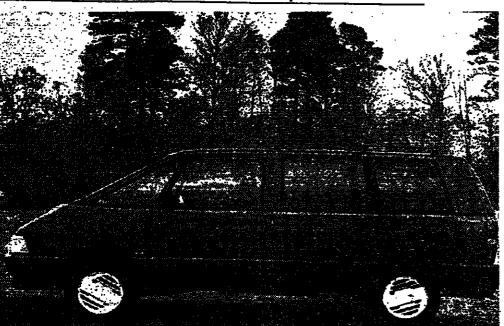
And the 4wd cars sector appears to be suffering from some self-inflicted wounds, par-ticularly in the executive cars sector, where large premiums have been charged for awd ver-sions, indeed, Mr Schmidt himself uses the term milking to describe some manufacturers approach to pricing policies.

such premiums are already diminishing rapidly as a result of a plethora of new 4wd cars the market from European vol-

ume car makers. For example Opel, General Motors' European cars subsidiary, has just launched a 4wd version of its Vectra medium saloon (Vauxhall Cavalier in the UK) for which a considera-bly more modest premium is required. The 4x4 Cavalier in the UK is priced at £11,700 including all taxes - some £1.100 less than the most emensive, but better equipped, front-wheel drive only Cavalier CD model

Between them Opel/Vaux-hall Citroen - with a 4wd ver-sion of its BX - and Peugeot, with a 4wd version of its 405 range, plan to produce at least 45,000 units a year between 1990 and 1995, to which must be added many more yet-to-be-launched 4wd drive cars from other manufacturers.

It is probably indicative of these heightened competitive these heightened competitive pressures that sharp price cuts on its more upmarket Audi 4wd models were announced earlier this year by Volkswagen/Audi of West Germany, which — Japanese predecesors notwithstanding — provided the catalyst for 4wd car growth in Europe with its raigrowth in Europe with its raily-winning Audi Quattro of the



The Espace 2000-1 Quadra from Renault, which is now planning to produc

## 'Mature growth after pause for breath'

came hard on the heels of the Opel Vectra 4x4 launch – although VW/Audi denied there was any connection and insisted that they had been made possible by freer supply and increasing economies of

scale.
Meanwhile, BMW saw sales of its only 4wd model, the high-premium 325iX, fall by more than 30 per cent last year compared with 1987.

Yet it was another European producer, Italy's Fiat group, which provided the 1988's 4wd success story in the cars sec tor: the bargain-basement 4wd version of the Fiat Panda small car sold 23,800 units - up from 22,600 in 1987 - to displace Subaru of Japan's Leone as

Europe's best-selling 4wd car. Another Fiat division, Lancia, saw a 33 per cent jump in sales of its Delta and Prisma 4wd models, thanks in no small measure to the huge publicity bonus reaped from three years' total domination of the World Rally Championship by competition versions of the

Flat now has a clear market lead among European produc-ers in the 4wd cars sector, its 23.8 per cent share last year comparing with 15.3 per cent group, VW/Audi. For the first time it also beat the combined sales of Japanese 4wd specialist producer Subaru, which had

22.7 per cent. Indeed, sta Indeed, statistics compiled by AID show that the market share taken by all the Japa-nese producers combined fell by two percentage points last year, to 41.8 per cent.

But this comforting news for the Europeans may be little more than a flash in the pan. Replacements are soon due for Subaru's Leone and another high selling Japanese awd con-tender, the Toyota Tercel. The Japanese have a much

stronger grip on Europe's now-highly fragmented sports/util-ity sector. The share of the market taken by direct imports from Japan accounted for 59.2 per cent last year — up slightly from the 58.7 per cent of 1987 — but rises to around 75 per cent when production in Spain

of the Nissan Patrol at the Nissan Motor Iberica plant near Barcelona, and the Suzuki SJ range at the Land Rover Santana facility in the Andalucian town of Santana, is taken into

The only other significant market contenders are the UK's Land Rover subsidiary of the British Aerospace owned Bover Group, which accounted for just over 10 per cent; Chrys-ier, whose AMC Jeep range is distributed by former AMC The cuts, of around \$2,000, owner Renault, with just over

(includes car-based and sports/utilities)							
Country	1979	% share	1983	% share	1988	% share	
Austria	4.8	7.3	11.4	6.8	21.2	5.0	
Belglum	4.3	6.6	11.5	6.9	15.8	3.7	
Denmark .	0.4	0.6	1.2	0.7	2.8	0.7	
Ireland	0	0	0.6	0.4	1.6	1.4	
Finiand	1.0	1.5	4.6	2.8	8.2	1.9	
W Germany	8.6	13.1	43.5	26.1	110.2	25.9	
Kaly	4.5	6.9	11.8	7.1	65.5	15.4	
Metherlands	1.3	20	3.7	2.2	7.4	1,7	
Norway	0.2	0.3	3.6	2.2	7.3	1.7	
Spain `	12.2	18.6	11.7	7.0	28.1	6.6	
Sweden	0.4	0.6	3.8	2.3	12.7	3.0	
Switzerland	6.5	9.9	20.1	12.1	50.3	11.8	
UK	15.5	23.7	23.3	14.0	55.0	12.9	
Western Europe	65.5	100.0	166.8	100.0	424.9	100.0	

5 per cent; and the Soviet Union's Lada operation, whose cheap Niva model accounts for just under 5 per cent.

Competition in this sector, already fierce, is set into intensify sharply over the next few years, partly through new model introductions and partly because of Japanese companies significantly increasing their production presence within the EC in the context of the med post-1992 single European market

In the smaller sector, two significant new Japanese mod-els, the 1.6 litre Suzuki Vitara (slightly larger than the SJ trak/Feroza have just been introduced to Europe. In the larger, substantially-revised sions of the Mitsubishi Panjero/Shogun have just been launched, while one of the most significant potential competitors for some years, a high-ly-specified new vehicle of Panjero size from Land Rover of the UK is due to make its debut at the end of this year to slot between the Land Rover and Range Rover models.

The conclusion of an agree ment under which Renault and Chrysler are jointly to produce an all-new 4wd vehicle - to be built in both the US and Europe - to complement the Jeep range will also increase competition in the early 1990s. All this activity promises to give a belated lift to European production of 4wd vehicles.

AID's forecast is that West ern Europe's production of sports/utilities will rise from 106,400 last year to just over 190,000 in 1992 and to 269,000 in

Thus the sector, if AID is proved right, should eclipse the "conventional" 4wd car sector, where output is seen rising from 103,000 last year to 186,000 in 1992 and a quarter of a million in 1995.

Western Europe 424 Pros pecis to 1995, available from early May, 1989. Automotive Industry Data Ltd, 34 St John St, Lichfield WS13 6PB

Viodel :		1968	% shere	1987	% share	1963	% share
Fint Penda 4WD Bubers Leone 4WD		- 23,900 - 20,600 -	14.9	22,600 23,900	13.5 - 14,3	5,200 19,900	8.6 33.1
Bubaru Justy 4WD Toyota Corollai 74%	nel 49/0	15,500 13,300	9,8° 8,3	18,500 13,500	. 13;1 8.1	22,900	0.D .38.0
Audi 80/90 Gustiro Laggis Delta/Prismi	4WD	9,900 8,300	5.2 5.2	10,000 6,200	6.0 3.7	8,600 0	14.3 0.0
Audi 199/296 Quate VW Galkjatta Sync	16	7,600 6,900	4.8	7,200 8,900	4.3 5.3	0	0.0 0.0
Morcedes W124 4-8 Alta 33 4WD	natio	6,200 5,900	3.9 3.7	3,000 6,300	2,2 3.8	0	0.0 0.0
		-159,500 -	100.0	187,400	100.0	60,200	100.0

Model	1968	% shere	1987	% shere	1983	% share	
Suruki SJ/Comural	49,800-	- 18.8	51,600	22.0	25,200	23.6	
Mitsubishi Pajaro	31,400	11.8	29,800	12.7	6,100	5.7	
Nissan Patrol	24,400	9.2	23,400	10.0	12,100	11.4	
Toyota Land Cruiser	20,200	7.6	23,000	9.8	7,600	.7.1	
landa Rover	15,900	<b>6.0</b>	14,500	6.2	8,200	7.7	
suru Trooper	13,500	5.1	9,200	3.9	2,300	. 22	
and Rover	12,100	4.8	11,200	48	9,200	8.6	
IMC Jeep	12,300	4.6	7,900	3.4	2,100	2.0	
ade Nive	10,800.	40	10,000	. 43	10.500	9.6	
Jelnateu Rocky	5,000	3.4	8,300	3.5	2,100	2.0	
-Ton Pick-Upe	· .	::		·			
ovota Hi-Lun 1982	8,100	3.1	5,600	24	1,100	1.0	
Heart 720 P-Up 4WD	6.000	3.0	4,500	1.9	380	0.3	
Ight Commercial Vehicles		<u>==</u>	7-	1954			
/W Transporter Syncre	4.200	1.8	4,200	1.8	Q	0.0	
II-Ace 4WO	3,000	ાંત્રો	2,400	1.0	9	0.0	
INC L400 4WD	1,700	0.6	1,300	0.6	1,100	1.0	·
OTAL\$	255,100	.100.0	234,100	100.0	106,800	100.0	
The let her specific						Source' Automo	two Industry Co

#### **JAPAN**

## Macho for the masses

the wheel of a four-wheel drive vehicle. Jeeps and two-ton pick-up trucks with a toolbox in the bed and a gun rack in the rear window were trademarks of the North American cowboy and working stiff.

But now that 4WD is avail-

able to anyone, the macho image could lose some of its lustre. No buttons to push, no levers to pull, new full-time 4WD systems are fully automatic. The noise and vibration at very low speeds that made part-time 4WD rough on fragile types are now part of history. While 4WD cars are nothing new, Japanese manufacturers appear determined to make new hi-tech 4WD systems the latest bourgeois accourrement.

A glance at recent sales figures reveals the commitment to 4WD being made by Japan's car makers. In 1985, Subaru's five 4WD lines outsold industry goliath Toyota by 11,000 units. Toyota then had 13 lines with 4WD and sold around 42,000 cars in Japan. Just two years later, Toyota had 21 4WD lines and sold a total of almost 965,000 4WD cars, over double Subaru's sales for the same

year. Over the same three-year period, Nissan Motor went from four to 17 4WD lines, while its 4WD sales grew by nearly five times, to almost 48,000 cars, according to the Japan Automobile Manufac-

turers Association (Jama). Meanwhile, total passe car sales increased a mere 4 per cent from 1986 to 1987 and a little over 14 per cent in 1988, thanks mainly to a 20 per cent increase in mini-car sales. The popularity of 4WD in Japan is no mystery. Jama figures show 4WD market shares in mountainous, snowy regions near the Japan Sea

and Hokkaido regions were almost twice as high as the 5.8 per cent average 4WD market share nationwide.

But more than geography is livening up the domestic 4WD scene. Japan's affluence has fostered plenty of leisure time. A hi-tech, sporty 4WD vehicle is tailor-made for expeditions to sea and ski areas by young Japanese. With real estate and homes out of reach for most of the nouveau riche, car purchases can provide the right catharsis.

The affluence has also spurred sales of the under-600 cc that bugs called midget or mini-cars - and one out of five mini-cers has 4WD, four

manager at Nissan, says he expects the US and Europe to follow the upward 4WD trend in Japan. He attributes weak demand in the US to a difference in perception of value. Subaru agrees. In September, Subaru-Isuzu Inc, a joint venture in Lafayette, Indiana, with Isuzu Motors, will start producing 120,000 cars a year. Although state-of-the-art Attnough state-of-the-art 4WD technology is classroom stuff, essentially it deals with distribution of torque to front and rear wheels based on the power needed for each wheel. In full-time 4WD, torque transfer from the transmission using fer from the transmission usually gets distributed between the front and rear axies by the

Subaru exports nothing but 4WD vehicles to Switzerland and West Germany, yet the US still looks like the juiciest plum

times the ratio of 4WD cars over 1,000 cc, according to Jama. To further strengthen the case for domestic 4WD sales, studded tyres will probably be banned in Japan within a few years, a Toyota spokesman says. This will make chains the only other snow-busting alternative to

But car manufacturers are aware that in the long run, prosperity depends on foreign markets. Fuji Heavy Industries, which makes Subaru, exports nothing but 4WD vehicles to Switzerland and West Germany, 14,000 cars to each. But only 40 to 45 per cent of Subarus exported to the United States are equipped with 4WD, well below the ratio of 4WD in total Subaru car production, which is nearly 60 per cent. The US market still looks

like the juiciest plum, as Japa-nese car makers see it. Mr

centre differential. Subaru's latest breakthrough in 4WD, electronically controlled Active Torque Split, uses a complex transfer system of clutch plates to transmit torque in varying ratios to

front and rear wheels. Acceleration and climbing hills are the two conditions that test 4WD effectiveness the most, Subaru officials point out. Under these conditions, the standing six-to-four weight distribution of a car shifts to 50-50, thus dramatically altering torque requirements.

Around the time Subaru came out with its new torque split system, Nissan unveiled its ARC-X prototype, which also uses an electronically-controlled torque split system, in tandem with an electroni-cally controlled limited slip differential.

The pitched R&D and promotion battle shows no sign of abating. Domestic 4WD car

cruiser and wagon vehicles, rocketed to over 387,000, up 43 per cent from 1987. That outstripped 4WD sales increases in 1986 and 1987 of 37 and 25 per cent respec-tively, according to Jama. On the export side, nearly 20

per cent of all passenger cars in 1988, roughly 60,000, were 4WD-equipped, Jama says. The figure greatly understates the case, though, since 4WD vehicles are also produced in Japanese plants abroad.

While the 4WD exports were aimed mainly at northern climates, future sales could make inroads in southern climates as well, if trends in Japan are indicative. Four-wheel drive sales in the snowless region surrounding Osaka used to be half those in the snowy areas, but between 1983 and 1987, sales in densely populated Osaka grew by more than four times, compared with a little over double sales growth in the rural snowy, western regions of Japan.

While Nissan's Mr Sakamoto acknowledges that 4WD sales in the US south will not be easy, he says prospects for light duty trucks and commercial vehicles may be quite good. Mitsubishi Motor Corporation, whose Pajero 4WD wagon line captured second place last year in the Paris-Dakar rally, and Subaru, which won the team category in the international Safari rally in 1987, have demonstrated the advantages of 4WD in dry, hot climates.

The rallies are treated as major sports events, and publicity is heavy. At 13,000 kilometres, 22 days and a third of the way around the globe, the Paris-Dakar rally looks like one place where 4WD machismo still flourishes.

Chris Perry



## Automatic Gains In The City. A Capital Asset In The Country.



A gilt edged acquisition in city snarl ups. A blue chip performer when the road gets rocky. The outlook is excellent for this new issue from Isuzu. A shrewd merger of on-road refinement and off-road prowess.

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Karen Zagor on sales growth in the US, by far the world's largest market

## An image of utility - plus comfort

THE LAUNCH of Suzuki's Samurai in November 1985 can take credit for almost singlehandedly spawning a new breed of four-wheel drive own-ers in the US, and a new class of 4x4 vehicles to serve them. These drivers tend to stick to city streets or ski lodges. A generation ago they would have bought sports cars as symbols of their youth and vitality. Today they buy light

In 1987 more than 1.47m light trucks were sold in the US, up from over 1.37m the previous

year. 1988 sales should top 1.51m. Many of these new four-wheel drive vehicle owners in the US would no more think of regularly driving off-road than they would aspire to ski down Everest. To them, the four-wheel drive utility is more car than truck. The average age of the Samurai buyer is 25, and the vehicle is seldom used off-road

ie is a kings so se	S Awd Tig	ht Vehicle Sa	les
Services experiences	1988*	1987	1986
Audi	5,835	7.834	7,308
5000 Quattro	1,495	4,565	3,189
4000 Quattro 80 Quattro	78 1,203	2,921 106	4,119 _
90 Quattro	1,596	242	
BMW 3251X	1,037	289	-
Chrysler	238,264	<b>290,195</b> 9.881	264,828 12,801
Vista Eagl <del>e</del>	6,031 1,392	4,584	7,235
Ram Pickup	19,059	27,932 28,322	29,806 3,355
Dakota Ram 60	22,375 11,947	14,293	15,565
Ramcharger	9,607 5,949	14,323 19,539	13,239 4,768
Raider Wrangler CJ	34,800	30,713	35,267
Cherokee	108,299	99,772 12,289	90,500 16,853
Wagoneer Comanche	7,393 11,357	13,167	16,575
G Wagoneer	11,781	14,053	17,335
Jeep Pickup	221	1,347	1,629
Ford Tempo	<b>364,858</b> 10,995	<b>426,213</b> 10,217	380,446
Topaz	2,301	2,900	405.000
F-Pickup Ranger	169,735 60,347	185,716 80,394	165,083 66,734
Втолсо	44,386	51,782	49,588
Bronco II	77,094	95,204	99,061
GM C-K Pickup	<b>394,810</b> 169,838	<b>408,245</b> 158,751	<b>428,745</b> 158,964
S-Pickup	42,011	49,118	49,902
S-Blazer/Jimmy	124,247 28,469	133,470 39,457	141,136 51,283
K-Blazer/Jimmy Suburban	30,245	27,449	27,460
Honda Civic	4,202	4,484	7,419
leuzu	45,172	46,173	41,893
Pickup	5,959	3,480	5,000 36,893
Trooper II	39,213 6,583	42,693	30,093
Mazde Pickup	8,301	21,027	9,741
Mitsubishi Pickup	3,240	3,289	3,068
Montero	5,061	10,924	6,673
Nissan	<b>45,505</b> 700	71,751	<b>63,479</b> 6,579
Stanza Sentra	736	2,495 2,050	429
Pickup	21,312	32,893	49,570
Pathfinder	22,754	34,313	6,901
Range Rover	2,813	2,586	<del></del>
<b>Subaru</b> Justy	57,311 6,832	<b>82,070</b> 1,011	79,027 -
XT T	4,710	4,016	6,228
Brat Hatchback	2,052	1,274 3,689	4,142 3,873
Coupe	2,939	6,376	4.789
Sedan/Wagon	40,778	65,704	59,995
Suzuki Samurai	52,010 51,103	<b>82,164</b> 82,164	47,726 47,726
Toyota	115.568	145,333	168,036
Tercei	655	4,590	10,454
Camry Celica	2,183 1,439	543 197	-
Van	1,405	5,101	2,400
Pickup	86,837 33,040	99,844	119,497
4 Runner	23,049	35,058	35,685
<b>V₩</b> Quantum	348 348	2,818 1,084	3,177 1,576
Vanagon		1,734	1,601
Total Cars	99,239	131,924	128,686
Total Lt Trucks	1,259,893	1,473,471	1,373,139
GRAND TOTAL	1,357,132	1,605,395	1,501,825
*Care Jan-Sept 1968, il	ght trucks Jan-Oct	1983 Source:	Marde Automotive Report

THE LARGEST contract for

trucks in the next five years will be for four-wheel drive

four-tonne payload vehicles ordered by the British Army.

This contract has brought

energetic activity to a largely

dormant sector of the truck

market and new vehicles have

been specifically developed to

Until this contract, old designs

ally been sustained by military

orders in the UK and overseas.

Public utilities buy these all-terrain vehicles in small num-

bers for specialist tasks -

AWD sells no more than 60 a

year. Thus, the numbers are both modest and too small ever

to justify the high development

The numbers are too

small ever to justify the cost of developing

a purely civil truck

costs for a purely civil four-wheel drive truck of this type.
The British Army contract

will initially be worth about £125m, for a total of 5,100

trucks. However, the truck makers involved in an intense battle for success see this as just the tip of the iceberg. The Armed Forces currently

operate up to 70,000 4x4 trucks which will ultimately have to

which will intimately have to be replaced and all three con-tenders – AWD, Leyland DAF, and Volvo – believe that approval from the Ministry of

fence, following exhaustive trials with 24 prototypes, will ensure that large export orders from foreign armies follow.

Since the Second World War Bedford has made every 4x4

Bedford has made every 4x4
British Army truck. The pugnosed R-Type was introduced
in 1950 and had a life of 20
years before being succeeded
by the still-current M-Type
medium mobility truck in 1970.
As recently as 1988 the MoD.

As recently as 1988, the MoD

ordered 2,000 M. Type Bedfords, bringing the total production to more than 48,000 vehicles.

Shortly after Bedford was

taken over by Mr David

Brown, the successful off-road

truck builder, work started on the ML 4x4 vehicle, which

The 4x4 truck has tradition-

abounded

the Army's demands.

"The ignorance of some 4x4" buyers is often staggering," says Mr Tom Bezzi of Peter-sen's 4 Wheel and Off-Road magazine. "Often, buyers'

choices are based entirely on two things - appearance and advertising." He adds: "The end-result of image advertising is a general lack of distinction not only between one 4x4 and the next, but between a 4x4 and a car."
The Samural story is one of

phenomenal success. In the first two years more than 121,500 were sold. Sales took a brief nose-dive in late 1988, when a Consumers Report survey said the Samurai was prone to toppling on sharp corners. However, the sales fig-ures soon recovered although they are still off from their early heights. The dip in Samurai sales

probably has less to do with the aftermath of the Consumers Report story than the fact that the sports vehicle market is now saturated with new machines. Suzuki has launched the Sidekick and has joined forces with General Motors to introduce the Geo. Isuzu has introduced the Amigo, Meanwhile the Wrangler, Chrysler's redesigned Jeep, shows no sign of forfeiting its market share.

There is little to choose between the Geo and the Sidekick, which are basically the same animal, the major difference being that the hardtop Sidekick can come with power steering. Both machines are upmarket, improved versions of the Samurai.

The other newcomer is Isuzu's Amigo. Isuzu has already garnered plaudits from the US motoring world with its Trooper II and the Amigo has shown every sign of being a

resounding success.

Chrysler has benefited from its purchase of AMC's profitable Jeep/Eagle division. In 1986 AMC revamped the traditional Jeep workhorse into a less strictly utilitarian vehicle, called the Wrangler. "In terms of strength, scale and suspension, the Wrangler is in every way the Real' 4x4 rather than a toy. It is the modern-day descendant of the Army mule, "full of spit and vinegar like the MAs, MBs and CJs of old," says Mr Bezzi.

According to Mr Jim Julow. Jeen's Manager of Advanced Special Marketing Plans, recent sales of the Wrangler enal." In March 4,500 Wran-

A modern descendant of the Army mule, 'full of spit and vinegar'

giers were sold, an increase of 36 per cent from the previous year. The average buyer of the lower series Jeep is 25-26 years. with an annual income averag ing \$25,500. About 80 per cent of Wrangler buyers are men, and for most of them the Wran-

gler is their only car. But the star of Jeep's stable is the Cherokee which, according to Chrysler, commanded 20.3 per cent of the small sport utility market in 1988. The Cherokee is more versatile than the Wrangier and can be used as a family car. About 38 per cent of Cherokee drivers are women

Meanwhile Range Rover has yet to make more than a modest dent in the US market. although the January sales figures of 495 were a big gain on the 247 vehicles sold in Januarv 1938.

One major change in the future may be in the shape of Japanese imports. Traditionally, the Japanese sports utili-ties have been imported without their back seats, thereby entering the country as trucks instead of cars. Although the importers paid a hefty import duty of 25 per cent, they avoided the Japanese 2.3m celling of passenger car imports to the US. In January last year the US Customs Service said it would classify these Japanese sport utility vehicles as cars.

However, this reclassifica-tion-may end up as a boon to the Japanese producers who will have to pay only 2.5 per cent in duties. That will help offset the cost of equipping the vehicles with extra safety equipment to meet the more rigorous US safety and emis-sion standards for cars.

Furthermore, a growing number of Japanese vehicle are being produced in US plants and are therefore not subject to import restrictions or tariffs.

Although sales of light trucks outpace sales of four-wheel drive cars by more than 25 per cent, the car sector is growing steadily. In 1987 all wheel drive passenger car sales rose 2.5 per cent to a record 131.924. If the rate of growth for 1988 remains constant, there should be more than 132,300 sold.

Americans can now choose four-wheel drive cars from Audi, BMW, Ford, Honda, Mazda, Mitsubishi/Chrysler, GM, Subaru, Toyota and VW. And Mr Steve Campbell, editor of Petersen's 4 Wheel Drive and Off-road magazine, predicts that by the end of the millenium four-wheel drive will be a standard feature of US cars because of its safety on



John Griffiths assesses joint ventures

## It's a mixed reco

AS RECENTLY as the late 1970s, there was little more than a handful of purposebuilt four-wheel vehicles, and they were bought mainly by users of necessity, such as farmers, foresters and veterinary surgeons.

Since then, with even more different makes and models, the market has been fragmenting at an increasing speed as the concept of the twd as a recreational and leisure vehicle — and even sports car substitute in a world of speed limits – has turned into a

cult. This fragmentation has been encouraged, and is still being driven, by the Japanese motor industry's determination to create and then capitalise on as many market niches as

For a long time the Euro-pean motor industry - and to some extent that of North America, where domestically-produced 4wd machines were already in fairly widespread use – felt able to ignore the mainly smaller vehicles being churned out by the likes of Suzuki and Daihatsu because the numbers involved were relatively small, particularly in Europe, compared with mainstream cars and light commercial vehicles. So the latter continued to dominate their attention.

By 1986, however, 200,000 of the small Suzukis alone had been sold in the US, while annual sales of sport/utility 4wds in Europe were on their way to a quarter of a million units a year.

Confronted with the prospect of being excluded almost entirely from an emerging market of possibly major importance, the West-era industry has begun belat-edly to fight back. Such are the costs of developing new vehicles, however, that the fight-back usually takes the form of joint ventures, either between Western companies or a US or European company in collaboration with the

Two months ago, one of the more significant ventures of the first type was concluded between Renault, the French state-owned vehicles group, and Chrysler of the US, to whom Renault sold its interests in AMC, maker of the "real" Jeeps (Chrysler bates the term being used as a

The new vehicle, code-named JJ, will enter produc-tion in 1992. It will be built by Renault in Europe certainly at a site in France with both plants under the control of a joint venture management team. The new vehicle will be complementary to Chrysler's existing range of Jeeps, which are already dis-tributed by Renault in Europe. On the commercial vehicles front, Fiat and Pengeot are in the process of further capitalcommercial vehicles joint ven-ture, Sevel, with the launch of jointly-developed 4wd van

ranges.
Much of the European motor industry, however, despite all the pressures on it to collaborate and thus seek greater economies of scale, seems to find considerable difficulty in making ventures between its

Thus one 4wd joint venture, between Dalmier Benz of West Germany and Steyr-Daimler-Pach of Austria to produce the Mercedes G-Wagen to combat the Japanese has never ful-filled expectations and has weakened into a much looser arrangement in which Steyr still makes the vehicles, using some Daimier-Benz parts,

The Western industry has begun belatedly to fight back

while Daimler-Benz sells the 6,000 or so a year which are

Joint ventures with the Japese are rather more common in the 4wd sector, although for most it is too early to establish the extent to which the Western partners may benefit in terms of such aspects as "local" content. (Although, as a possible guide, European content of Suzuki SJ models produced at the Land Rover Santana plant in Spain is claimed now to be higher than

80 per cent). In Europe, one of the poten-tially most significant ventures with the Japanese is at an advanced stage of negotiation, although it has yet to be announced in any concrete form. It involves a joint develeent and production venture between Ford and Nissan, aimed at providing both companies with a new 4wd leisure/ utility vehicle for sale throughout Europe.

The expectation is that it would be built at Mesan Motor Iberica's plant in Spain, and be entirely complementary— and thus probably considerahly smaller than - the Nissan Patrol 4wd already produced

On a smaller scale in Europe, production is about to start on a joint venture vehicle involving Italian design house Bertone and Dalhatsu of Japan. Bertone's plant at Grugliasco, near Turin, is to make 3,000 units a year of a vehicle comprising Polleten's Fourtrak light 4wd model fit-ted with a BMW engine. It will be called the Freeclimber and is expected to be sold mainly in West Germany, where Dai-hatsu is setting up its own marketing company, Daihatsu Deutschland, at Krefeld.

On a potentially larger scale, the UK looks increasingly likely to be the site for yet further Japanese-based

vehicle production (following Toyota's intention to follow Nissan in setting up car asser bly) in the form of an Inc 4wd sports/atility vehicle, launched in the US recently as

the Amigo.
This 2.6 lifre vehicle is being considered for production at IBC Vehicles, General Motors former Bedford commercial vehicles plant at Laton which already produces the Midi van based on an Isuzu design, and the Rascal, based on a Suzuki

It is indicative of the binr ring of the edges between manufacturers which has manufacturers which are the industry globalises that IBC is 60 per cent owned by GM and 48 per cent by Isnau, but with management control resting mainly with Issue; and that GM owns just over 40 per cent of hum ligell, as well as hav-ing a 5 per bent stake in Standal.

In North America Itself. GM has relied on Smith to provide it with entry to the North American market for light sports/willites of a much smaller size than GM's own fwd products such as the Chevrolet Blazer. Production is to begin this

month at a new joint venture facility at largersoll in the Canadian province of Datario, of what is being marked by GM as the Teacher, for distribution through its Geo fran-

It will be recognized by Europeans, however, as the just-launched Sernki Vitara, a 1.6 litre vehicle which is a L6 litre vehicle which is a small step up in size from Sizuit's ubiquitous SI range. The Ingerabli plant, which has a capacity of 280,000 units a year, is being operated by Cami. Automotive, owned equally by Suzuit mile a Consider subsidiary of GM.

It is planted to produce eventually a total 80,000 units a year to be thand lietween GM and Suzuki, which will sell the vehicle through its own North American network

as the Sidekick. The rest of the capacity is expected to be filled at a later data by production of a small car, to be said by GM as the Geo Sprint

Initially, engines and other high-value components are being imported from Japan, thus seeming to provide ammunition for those who protest that Japan tends to keep too many high-tech, high-walus, to many high-tech, high-value commonents to itself However socording to a GM spokesman, "the target is to move to 75-80 per cent con-tent very quickly" from its initial 60 per cent.

But it is by no means an all one-way street. For example, Isuzu has decided that in future it will buy engines for its 4wd cars and pick-ups from GM — even for those vehicles Isuzu is producing for itself in

British Army contract should lead to overseas orders

## The trucks go on parade

trucks have remarkably simple transmissions. A short propeller shaft takes the power from the five or six speed syncro-mesh gearbox back to a cension announced, probably before June when a contract trally mounted transfer box. It provides the option of high and low range gearing, and splits the drive between the front will be placed.

and rear axles.

There is no modern viscous coupling or high tech electronics to alter the amount of torque going to any one axle. A military truck is kept excep-tionally simple and rugged, though the three contenders electro-pneumatically select high and low range gears via a switch on the fascia. Gone are the series of levers needed first to select four-wheel drive and

faces stiff competition from the

Leyland Daf's 4x4 General Ser-

vice truck and the Highlander M6 4x4 that Volvo plans to build at its Scottish plant near

By the standards of the lat-

est cars, four-wheel drive

then alter the range of gear Underlining how far 4x4 trucks have still to go in terms of technology, the AWD vehicle has to be brought to a halt before four-wheel drive can be selected. The Volvo can make the selection at speeds below 5 mph. It is only the Leyland that has permanent four-wheel drive like a Range

Among the specifications for the Army is a top speed limited to 55 mph and the requirement for the cab to seat three sol-diers with full packs behind the driver. For Leyland this meant developing an almost completely new cab, helping to push the cost of competing in the 10-month trials for the contract to more than £3m.

Volvo has improved its posi-tion in the contest by offering the Peterborough-built Perkins diesel, like AWD, as an alternative to its own Swedish power unit, thereby raising the local content of its truck. With perfect timing, Volvo also won a 24m contract to supply the Swedish Air Force with 63

lighlanders. AWD recently flew one of its latest ML prototypes to Singapore for a six-month evaluation by the Singapore armed forces,

accepted that export orders will not be racked up until the (notably fair) MoD trials are completed and the final deci-

Alongside AWD's ML 4x4, perhaps the least modern of the contenders, it is interesting that the MoD is evaluating the extraordinary Multidrive vehicle which the AWD and

Multidrive sister companies

owned by Mr Brown believe will enable the British Army to have a range of all wheel drive trucks with a payload of up to

- the star of Jeep's stable - can be used as a family can

The Multidrive concept has taken David Brown four or five years to develop and put into still low volume production. Its origins lie in exploiting the niche between massive offhighway earth-moving trucks and lighter road-going trucks, which spend only part of their

life off-road. Conventionally, these have been six and eight wheeler rigid chassis trucks as they offer better stability thair articulated vehicles, though they have the disadvariage under UK legislation of a gross vehicle weight limited to 30.5 tonnes. An artic can be 38

tonnes gvw. Mr David P Brown Jr, Multidrive's chief executive, explains that the four-axle articulated Multidrive is more

stable when tipping than a nor-mal artic because its central box-frame chassis is much stiffer. It is no ordinary chassis. A jointed propeller shaft takes the drive from the tractor unit's drive axle to the twin axle bogey that bears the main weight of the truck's load.

The bogey is free to rotate. It is "steered" by diagonal tie bars connected to the tractor is above the drive axle. As the tractor turns, so the

bogey is steered in the opposite

The result is greatly to improve the turning circle while some 85 per cent of the vehicle's weight is over driven axles compared with 60 per cent for a conventional vehicle. According to Mr Brown, the Multidrive truck will not "cut in" as it goes through a tight turn in the way an artic does and has the advantage of a turning circle half that of a rigid eight-wheeler.

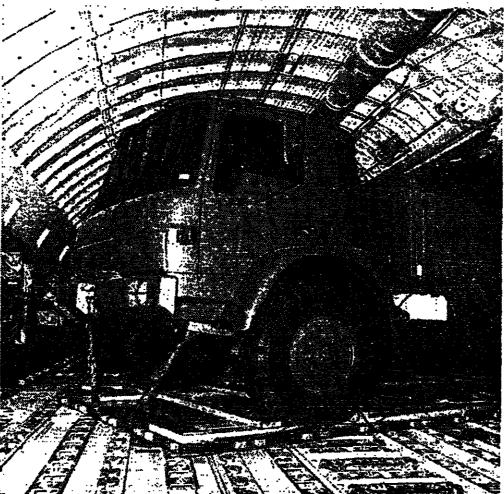
The military version now being tested is an AWD-Bedford TM 8x8 Multidrive with a 25-tonne payload. The engineers have taken an eighttonne payload 4x4 truck and Multidrive trailer to

produce a six-wheel steer unit. Added to its compact turning circle, the articulation with the

trailer means the vehicle is better able to tackle severe undulations than a long, rigid chassis. Mr Brown is optimistic about its prospects, "I believe that the MoD has been very impressed with the vehicle," he

Outside the military field, Multidrive has delivered fewer than 150 vehicles. However, Mr Brown expects this to rise steadily as the company devel-ops models based around all popular makes of tractor

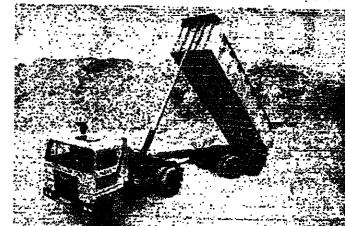
Daniel Ward





(Left) AWD's ML 4x4. The prototype to Singapore for a six-month evaluation by its armed forces, which plan to buy 1,000 vehicles; (above) the Volvo Highlander M6 is one of three key contenders for British army orders and like the AWD (right) offers the Peterborough-built diese to raise the local content of its truck in a fight for the contract against Leyland DAF Whatever the outcome, the ospect of winning the ergest contract around in five years has revitalised the truck market and led to the

development of several new specifically geared





THE REPORT OF THE PARTY OF THE





# The Audi Coupé quattro.

# Occasionally available with three-wheel drive.

#### THE AUDI COUPÉ,

Don't worry, the engineers at Audi haven't brought out a serious competitor to the Reliant Robin.

Our three-wheel drive is, of course normally a four-wheel drive system.

The three-wheel drive, however, operates in certain situations.

For instance, in extreme conditions which are so treacherous that the differential locks are engaged, this is what happens if one rear wheel hits ice:

The drive system automatically, and in a fraction of a second, splits the power to keep the remaining three wheels in traction.

The differential is called Torsen, or torquesensing. (A tongue twister and a torque twister.)

For the non-technically minded, it simply means that the car is less likely to lose its grip even when conditions vary enormously.

For the technically minded, it can be summed up in the following three words.

VORSPRUNG DURCH TECHNIK.

## Range Rover remains the one to beat

THE 4x4 market is so fragmented that it is impossible to talk about a typical four-wheel drive car any more. Aggravating the situation is a tendency for people to buy a 4x4 and then use it in a way that the manufacturers did not have in mind when they

designed it. The original Land Rover was a case in point. It was created more than 40 years ago as a stopgap, to tide the old Rover company over a period when steel supplies were short and a maker's quota related to export

Rover cars did not sell well abroad. So the Land Rover was cobbled up at short notice, with a body made from light alloy sheet. It was proposed mainly as an alternative to a light farm tractor.

Instead, it was used more as a rural road vehicle, with the ability to go cross-country when needed and to deal with roads that were made of rocks or mud, not tarmac.

It succeeded beyond Rover's wildest dreams. Much the same happened to the Range Rover. In 1970 it was conceived as a something a fartner would use like a Land Rover during the day and as a car outside

working hours. Farmers' wive:, invited to get in the mud-spattered and manure scented Flange Rover in their evening finery. gracefully demurred. But the Range Rover ended up as the darling of the country set, pulling horse trailers to meets and carrying parties with their Fortnum and Mason hampers to shoots and race meetings.

Because of its connotations of old money and well-cut tweeds.it became the most prestigious 4x4 of all time, selling mainly to owners who rarely if ever plunge it into the knee-deep mud in which it performs superbly well. Many use it simply as a luxury car

substitute. Both Land Rover and Range Rover were - and still are benchmarks among; 4x4s, designed for use on and off the road.

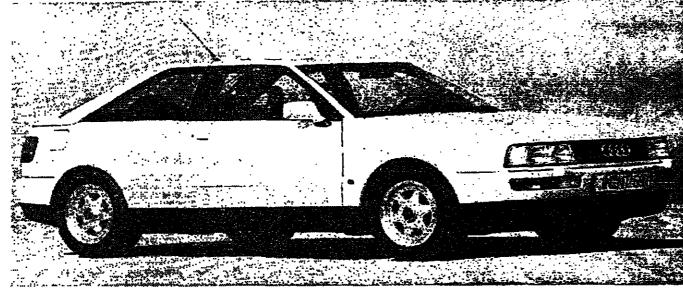
A little over 10 years ago Audi created a similar watershed in car design with the Quattro. This was a high-

Spreading the torque of a engine among four tyres transforms the safety of sports cars on wet road's

performance sports coupé which put its 200 turbocharged horsepower on the road through four tyre contact patches, not two.

Instantly, it made all other very high performing sports cars look out-of-date, overpriced or both. The Quattro demonstrated that spreading the torque (pulling power) of a very muscular engine among four tyres transforms the handling and safety of potent sports cars on wet and especially snowy

The fourth trendsetter 4x4 vehicle was the Subaru. This appeared at about the same time as the Quattro but was aimed at a different buyer who needed an otherwise normal



(Above) The Audi Coupe Quattro, whose permane four-wheel drive puts its 136 horsepower securely down onto slippery roads; (right) the new Nissan Prairie, which combines car comfort for up to five people with four-who drive traction to cross muddy fields or climb snowy hills: (bottom right) the Land Rover Ninety County short-wheelbase station wagon is wonderful across

car with vastly improved

than a car on the road

Both Range Rover and Quattro had permanently engaged four-wheel drive with a centre differential. This allowed them to be used on hard surfaces because it accommodated the different rotational speeds of the front and rear wheels when egotiating corners. Simpler 4x4 transmissions

(like the original Land Rover's and the Subaru's) do not have a central differential. Tyre slip prevents transmission stress from building up on muddy surfaces. On hard, dry roads, though, it can lead to unac-ceptable tyre and mechanical wear and stiffen the steering, making the vehicle unpleasant to drive.

All of which is background to the future development of the four-wheel drive market. The Land Rover, which to complicate matters now has virtually the same, permanently engaged four-wheel drive transmission as a Rang Rover, continues to typify the strong, working vehicle rarely used as a car substitute because it lacks creature comforts

Others cast in a similar mould to the Land Rover, though with selectable, not full-time, four-wheel drive, include such diverse vehicles as the Daihatsu Fourtrak. Suzuki SJ410 and 413, Mercedes-Benz Gelandewagen, Nissan Patrol and Toyota Land Cruiser.

Perhaps the strongest challenge in this area comes from the 4x4 pick-up truck, of which Japanese makers have a nearmonopoly. In the rapidly expanding market for recreational on-off road vehicles with four-wheel drive, the Japanese have also made nearly all the running.





The Range Rover, which costs up to £30,000, is still held to be the one to beat. Although its sales are expanding, its position is under threat from vehicles like the Mitsubishi Shogun (Pajero in most markets other than Britain). This has just become available with a fuel-injected, 3-litre V6 petrol engine or a 2.5 litre turbocharged, intercooled

The Land Rover company, in a bid to win back some of the ground it has lost to the Japanese in the lower reaches of the recreational market, will later this year bring out a lower priced Range Rover

This is intended to compete with estate car versions of the Mitsubishi Shogun, Isuzu Trooper, Nissan Patrol, Toyota Land Cruiser and, on mainland Europe, Jeep station wagons, many fitted with Renault turbo-diesels.

Just below this level in size and price come cars like the new Suzuki Vitara and Daihatsu Sportrak. Paradoxically, although capable of performing off road nearly as well as rug-ged cross-country vehicles, they are bought for their perceived sportiness. Most rarely leave hard surfaces and their owners demand - and get car-type comfort and equipment levels

More vehicles of this type are on their way. A logical alternative for car buyers wanting occasionally to cross muddy fields or climb snowcovered hills is an estate car

And it is encouraging to note that, while some of the imported four-wheel drive cars

could prove expensive to repair in the unlikely event of a transmission fault developing, the central viscous coupling (it

prevents slip between the front and rear wheels) for the Ford

Sierra 4x4 costs a reasonable

£177.

with full-time or selectable four-wheel drive.

These may be conventionally proportioned (like the Ford Slerra, Subaru, Honda Shuttle, Toyota 4WD and Citroen BX 4x4 estates) or "one box" machines like the Renault Espace and the new Nissan Prairie. In the main, they have full-time four-wheel drive which allows owners to enjoy enhanced wet-road stability as well as modest off-road

capability.

But what of the cars that have all-wheel drive, not to let them cross fields, but to transmit engine power safely on normal highways? These are

proliferating.

It is a crude generalisation, but a road-going, rear wheel driven car of up to 150 horse-power per tonne is unlikely to run into severe handling problems due to less of traction. lems due to loss of traction. A front-wheel driven car of similar power/weight ratio will be rather less manageable, especially in wet or wintry conditions. It is, after all, expecting a lot of one pair of tyre foot-prints to pull, steer and provide up to 80 per cent of the braking

When wheelspin is caused by excessive engine power, lateral grip as well as traction is lost. A rear wheel driven car will tend to oversteer and throw its tail sideways; a front-drive car will understeer - that is, plough straight on instead of

going round a bend.

A four-wheel driven car of 150 bhp/tonne power/weight ratio will have to be driven brutally for engine torque to break tyre grip. Thus, it will remain stable and easily driveable in conditions that would make a front or rear wheel only driven counterpart feel decidedly unruly.

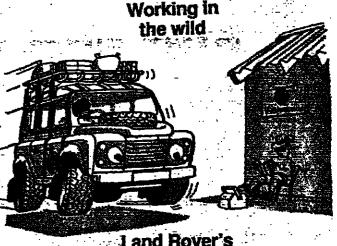
For this reason alone, permanently engaged four-wheel drive is becoming a sine quanon for cars of high power/weight ratios. Where Audi ploneered with the Quattro, a lot of other makers have followed

Some of the latest recruits to all-wheel drive for fast cars and this is by no means a compiete list – are Lancia, Mazda, Mitsubishi, Peugeot, Porsche, Toyota and Volkswagen. Others will follow. In Japan, almost every kind of car, from the housewife's shopping runabout upwards, is already offered with four-wheel drive of one kind or another.

Because it is costly and not really necessary, full-time four-wheel drive is unlikely to ly-type cars of modest power/ weight ratios, at any rate for some years. If 4x4 transmission is needed purely for traction on low grip surfaces (as it might be in areas of high snowfall), then a simple, selectable sys-tem, allowing the power to be put through to a second pair of wheels as needed, is amply

good enough.

It is still possible to offer a cheap car with selectable four-wheel drive. Examples are the Subaru Justy, Fiat Panda and Lancia Y10 4WDs. A severe winter would probably cause their sales to leap. The trend would be encouraged by grow-ing environmentalist opposition to spreading hundreds of thousands of tonnes of salt on snow-covered roads to make them usable by two-wheel driven cars.



Land Rover's manual for Africa

## Easing the pitfalls

FOR ANYONE not broken down or a fervent do-it-your-self enthusiast, a vehicle service manual is unlikely to be

high on the list of potentially interesting reading.
Not so the latest one from Land Rover of the UK, whose ablquitous four-wheel drive workhorse had its 40th birthday last year. Chapter seven, for example,

offers the information that, without a water top-up, there is no prospect of survival beyond two-and-a-half days in 50 degrees Celsius, even when parked in the shade - a reference, however, to the driver, not the vehicle.

It is just one of the more exotic references in a manual aimed at, and entitled, Working in the Wild,\* and for which a foreword has been written by none other than

The princess writes in her capacity as president of the Save the Children Fund, and in the context of the vehicles' role in enabling the fund to carry out its work in remote areas of Africa and elsewhere in the Third World.

Compiled by two Land Rover engineers who worked long-term in the Sudan, the manual depicts maintenance, repair and sheer survival aspects of 4wd operating. These are a world removed from the mushrooming "cult" and leisure 4wd market in which most vehicles rarely, if ever, leave the paved high-

ways of Europe.

The publication, the authors say, "bridges the gap that say, motor manuals and expedition handbooks ... it pulls together the practical experience of dozens of people who know and understand the dangers, chal-lenges, difficulties and pitfalls encountered in hostile territories" - by which they mean much more than encountering the Ramblers Association in a UK conservation area.

Polkiere about the Land Rover abounds; just one story being the reported ire of users in the bush when radiator grilles were changed from steel to plastic – making them no longer usable as barbecue racks.

The manual, however, lacks levity and is almed at least as much at companies, govern-ment agencies and other group organisations as at individual

the relationship between driver training, or lack thereof, and maintenance and breakdown frequency in itself potentially a survival

Spare parts programmes; fleet management; in the field workshop operation and even construction, as well as emer-gency procedures take the manual into resims for beyond that of simply keeping a vehicle running.

"Though no single book could possibly cover the range of conditions, situations and problems encountered around the world, this one comes close," suggests Mr Tony Gil-yor, Land Rover's managing director until a recent Roger Group management reshuffle earlier this year. Much of it would be wasted

however, on the "leisure" 4wd heigade: to know that holding one's arms above one's head to

Punctures can be repaired by stuffing tyres with grass

form a V is a code to a passing aircraft that our vehicle is abandoned – pick us up would have limited relevance in London's King Road or on the Paris peripherique. The information that the

bodywork of a Land Rover can reach a skin-shrivelling 107 result of the sun's rays measured in watts per square than in the UK, is unlikely to evoke much more than wistful envy in Wigan.

Nor are the developed world's police likely to take kindly to the advice that emergency puncture repairs can be carried out without patches or replacement tubes"

by stuffing the tyres with

grass or rags.
But then, in the conditions with which joint authors Bill Treneman and Kirt Carolin are concerned, getting a ticket would definitely be the last of

the driver's worrles... \*Working in the Wild - Land Rover's Manual for Africa, £9.50 from Land Rover Mer-chandising Service, PO Box 534, Erdington, Birmingham, B24 OQS.

John Griffiths

#### Daniel Ward on resale values and operating costs

## **Second-hand considerations**

choice between a turbocharged model and a four-wheel drive car would do well to opt for the latter. Turbocharged cars lead a fast and furious life in the hands of enthusiastic owners and many prove troublesome and costly to maintain.

By contrast, four-wheel drive cars appear to have an excel-lent reputation for durability. However, that does not mean they are cheap to run. Some, in particular, are not. The price premium in the showroom for a four wheel drive vehicle is significant, though it varies considerably. Vauxhall has one of the most

competitively priced four-wheel drive models in the Cavalier where the more complex transmission costs an extra £1,840. Such aggressive pricing had pushed VW and Audi 4wd models out onto an expensive limb, so VW-Audi has recently cut prices. After reductions of the 47% per cont reductions of up to 7.8 per cent for the Quattro models, Audi now charges an extra £2,600 for four-wheel drive on its cheapest Quattro model.

By Mercedes standards, this seems modest. The sophisticated Mercedes 300TE 4-Matic costs over £6,000 more than its rear-wheel drive sister car.

However, in many cases, only a modest proportion of the extra cost of four-wheel drive is reflected in the sec-

ond hand value of the vehicle. On second-hand Audis, where the owner paid perhaps an extra £3,000 for the Quattro version, only 30 to 40 per cent of this premium will be recouped when the car is sold

ANY BUYER faced with the after two years. Nevertheless, second-hand prices are greatly influenced by whether the indi-vidual model has a particular cache and strong following among discerning drivers. As Mr Geoff Becque, director

As Mr Geon Becque, director of Leasecontracts, explains: "Some four-wheel drive vehicles are very popular and so are very desireable even if second-hand." He highlights the high residual value of vehicles like the evergreen Range Rover and the chic Suzuki SJ Jeeps.

The trade price offered by dealer for a three-year-old Suzuki that has covered 35,000 miles is likely to be 77 per cent of the original list price; the Daihatsu Fourtrak will achieve the same residual value. Using the same criteria, a Range the same criteria, a Range Rover will make 72 per cent of its original price and in the car sector the well-conceived Ford Sierra 4x4 will be worth £7,000 to the dealer. "A lot higher than for an ordinary Sierra," comments Mr Becque.

By comparison, the less popular Ford Granada Scorpio 4x4 will manage only 40 per cent. while the owner of an Audi Avant Quatro is male back. see more than 45 per cent back.

The strong residual value of many of the four-wheel drive models helps to offset the higher fuel bills they incur. The latest Range Rovers will manage 17 mpg driven sensibly out of heavy town traffic, com-pared with perhaps 20-21 mpg

for a similarly-priced Jaguar. According to the official government fuel consumption figures, an Audi 80 Quattro achieves is slightly more

economic around town than its front-wheel drive counterpart, though it becomes about 7 per cent more thirsty at motorway speeds. Vauxhall claims the economy of the 4x4 Cavalier is identical to that of the ordinary model, but this surely ignores the harder driving to which four-wheel drive

vehicles are often subject.
Mr Becque cautions that this factor will be reflected in higher tyre wear. In theory, splitting the engine's power among four wheels should

MANUFACTURERS AND distributors of purpose-built sport/leisure four-wheel drive vehicles appear to be emerging relatively unscathed from a controversy which, at times last year, threatened severely to curb the sector's explosive growth in North America and Europe.

The controversy, over whether such vehicles roll over too easily during normal highway use by "ordinary" drivers, had commercial implications which could have been highly damaging for producers such as Suzuki of Japan, whose diminutive SJ 410 and whose thinkittee 43 414 range have become "cult" vehicles world-wide and make up a significant proportion of the company's total vehicle production.

in late summer of last year for example, sales of Suzuki models in the UK plunged by a half — in a strongly rising market — as Suzuki (GB), the Heron Corporation-owned importer, sought to defend the vehicles against specific allegations by the UK's Consumers Association. reduce tyre wear, but in prac-tice the life of modern low profile tyres is shortened because the driver is keen to make full use of the better traction and

for long enough to do their vehicles any damage. Even clutch wear appears normal.

cornering grip offered by four-wheel drive. It reflects well on the engi-neering of these vehicles that fundamental transmission faults are almost unheard of. It seems that owners do not get into very difficult conditions

The Range Rover may be the doyen of four-wheel drive vehicles and its transmission

immensely rugged, but it can prove expensive to run. However, overall it is the depreciation which has the greatest influence over running costs for four-wheel drive vehicles. Choose carefully, and they could be no more expensive to own than ordinary cars.

According to figures published by Emmerson Hill Associates, driving a Range Rover Vogue SE for 10,000 miles a year is likely to save the owner £1,600 compared with an equivalent Jaguar 8.6 Sovereign. A Suzuki SJ, at 26.5p a mile, matches the operating cost of the similarly priced Renault 5GTS. Comparing sister cars, Emmarson Hill estimates that an Audi 80 1.8E would cost 48.3p a mile to operate over three years and 30,000 miles, compared with 61.2p a mile for the Quattro version. In conclusion: there are

hefty costs in running a four-wheel drive vehicle, and a careful choice is important to balance the higher fuel bills with low depreciation costs.



The Mercedes-Benz 300TE 4-Matic

The industry seems relatively unscathed after 'roll-over' claims

## A dangerous allegation

The association, after conducting its own tests, asserted that the vehicles rolled over so easily as to be dangerous, and exhorted the public not to buy

Suzuki, Daihatsu and the other mainly Japanese companies which dominate the sector were right to be deeply subsequently widely reported in the rest of Europe, came on the heels of similar allegations egainst the Suzuki by a US

consumer group.

The latter issued a public demand to the US federal safety authorities for the recall of the US version of the

SJ range, the Samurai. By late summer, pressure on the UK's Department of Transport had reached the point where, with some reluctance, it agreed to undertake its own series of tests on vehicles of the same type from a variety of manufacturers, including the UK's own Land Rover. The Department of Trans-port has, in extremis, the

power to ban vehicles from the highway and even their sale, without even having to con-sult Parliament first. So when it abruptly suspended the unfinished tests

after one vehicle did, indeed, fall over — but this time a Daihatsu, not a Suzuki — the stage appeared set for a crippling crisis of confidence in the sector; or at least the major part of it now made up of "leisure" buyers unused (unlike farmers and other "professional" 4wd users) to the driving characteristics of purpose-built 4wd machines. Only after the test vehicles had been fitted with extra

safety equipment did the Department's tests continue. The first easing of the crisis came in September, when the US National Highway Traffic Safety Administration rejected the recall demand by the con-

sumer group, the Washington-based Centre for Auto Safety.

The NHTSA declared that the Suzuki model was no more prone to roll over than simi-lar, domestically-produced rehieles, typifed by the Poul wehicles, typified by the Ford Bronco, and which have been in every-day use by several million US owners for years. However, it did accede to a

request by the US Consumers Union to investigate the set-ting-up of minimum legislative standards to guard against

roll-overs. In the meantime, Britain's Transport Department completed its tests on a total

of 16 vehicles. It published partial results just over three months ago. but without saying how any specific vehicles performed.

"None of the vehicles exhibited handling characteristics which could automatically be regarded as unsafe," the department said, adding that further research was needed. Meanwhile, drivers "should realise that multi-purpose vehicles cannot be expected to handle as well as modern passenger cars." They should avoid sharp steering movements and generally drive with carrion with caution.

with caution.

The 4wd industry heaved a sigh of relief, particularly as only two weeks before announcing the results, the department had demonstrated that it was prepared to use its powers by hanning the sale and use in

the UK of three-wheeled, Japa-nese-built —all-terrain vehicles.

The issue is by no means over, and may yet involve manufacturers in changes to the way in which they design and develop such vehicles in the future.

This is because the whole question has now been referred to an international group of vehicle experts under the aegis of the United Nations Economic Commission for

Europe (ECE). The experts, meeting as Working Party 29 and with a membership made up of most vehicle-manufacturing nations, are expected to repor back later this year on a possi ble set of internationally-agreed, mandatory stability standards for all such vehicles.

As part of the research, the working party has asked all member countries to examine their accident statistics more closely for clues to the extent of the roll-over "problem," of even whether it really exists.

John Griffiths

Martin Derrick looks at an Italian joint venture in light commercial vehicles

## Fiat and Peugeot renew faith in Sevel project

IN A bid to take the initiative in European light commercial vehicle production, Fiat and Peugeot announced ambitious plans late last year to double the capacity of their Sevel joint van manufacturing venture

based in Southern Italy. Between them, Fist and Peugeot are investing \$319m in order to increase production from just over 100,000 in 1987 to over 200,000 by 1994-85. This will be done by expanding the two existing plants in Italy at Val di Sangro and Pomigliano and by introducing a new production facility at Valenciennes in Northern France on the site of an old Talbot

The Sevel (European light commercial vehicle company) venture was launched towards the end of the 1970s to allow

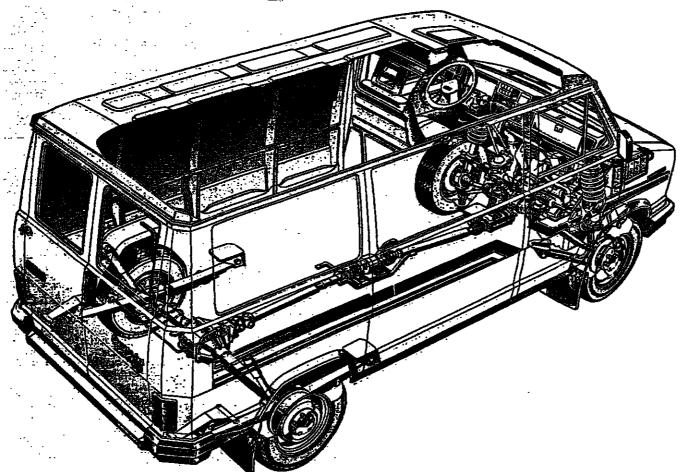
There are already more than 200 versions of the Ducato and other vans to suit different needs and different markets

both Peugeot and Fiat to develop a new range of light commercial vehicles at a time when neither company had the sort of resources available for investment in new products that they have now. As such, a joint venture seemed the most

sensible way forward. By the end of 1987, Sevel had increased output to 17.2 per cent of West European van production, putting it in third place behind VW (19.8 per cent with the Transporter) and Ford (21.5 per cent with the Transit). At the time the recent increased investment was announced, Fiat and Peugeot said that not only would over-all production volume be

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increased, but also that new models would be developed in both Italy and France from the existing product ranges. Cur-rently the Sevel operation pro-duces the Fiat Ducato, Pengeot

duces the Fiat Dicato, Pengeot
JS, Citroen C25, Talbot Express
and a few Alfa Romeo badged
wans which are sold mainly to
the Italian police and military.
In introducing new models
and variants, Sevel will be
adding to an existing range
that already extends to over

200 versions of the Ducato and other vans to suit different needs and different markets. One area of likely significant development is in four-wheel drive. Earlier this year Flat launched a range of Ducato four-wheel drive derivatives and in doing so, stole a march on its partner since Peugeot has not yet brought its four-wheel drive van to the

According to Mr Manfredo

Incisa, director of Fiat's light commercial vehicle marketing division, the Ducato 4x4, far from being a one-off, is the first of a number of four-wheel drive models from the Fiat group. "Fiat's policy is that every new vehicle should have a four-wheel drive derivative."

The technical solutions employed will vary according to the sort of vehicle, so Lan-

he says.

inantly high performance cars will tend to have a different 4x4 system than that offered on Fiat cars; and different again from that offered on light commercial vehicles, says Mr

However, that does not mean that light commercial vehicles - often the poor relations in a large motor group - will get a four-wheel drive system that is necessarily less sophisticated. So the Ducato 4x4's engineers

Left) An inside view of the Ducato four-wheel drive now being produced by Flat and Peugeot in Sevel, Italy and (above) the completed vehicle in one of its many versions

have chosen a permanent 4x4 arrangement incorporating a Ferguson viscous coupling.

"We tested a switchable part-time 4x4 system for the Ducato but our technical department was not satisfied with its performance. This per-manent system is modern, not too expensive, and is especially

good from the customers' point of view," says Mr Incisa. On the Ducato 4x4 drive is taken from the five speed gear-box to the front differential. From there a two-section transmission shaft, incorporating the Ferguson viscous coupling at the centre, takes the drive to the rear wheels via a limited slip differential.

The special component in

the transmission - the viscous coupling - splits the available torque automatically between the front and rear axles according to the different grip. So if the front wheels start losing traction, more torque will transfer to the rear of the van

and vice versa. What this means, claims Fiat, is that when comparing the Ducato 4x4 with the corresponding 4x2 version on wet,

m u d d y or snow-covered surfaces, the four-wheel drive vehicle can negotiate significantly steeper gradients. It will also be able to maintain progress where a two-wheel drive vehicle would grind to a halt. In addition, Flat says there have been improvements in straight-line stability, driveability and roadholding for the 4x4, together with better braking and standing

The markets Fiat has in mind for the Ducato 4x4 are mainly in or around the Alps. According to Mr Incisa, it is "the ideal vehicle for all uses high in the mountains or on unmade roads. From hotel services, to electric cable maintenance, to forestry services and civil defence, but it is also ideal for leisure pursuits and for facing winter's hazards

Assessing the potential for 4x4 commercial vehicles is not easy because up to recently, none was available from any volume manufacturer. As more manufacturers start to offer four-wheel drive, so the market

without tears in complete

will develop, says Mr Incisa. The Ducato 4x4 goes on sale first in the UK, Germany and Finland and later this year catalyser-equipped models will be launched in Switzerland and Austria, which are likely to be

the two biggest markets. Fiat expects to sell between 2,500 and 3,000 Ducato 4x4s a year in Europe initially. "That is a low forecast but if there is any sudden growth in the market for these vehicles, we will certainly be able to

respond to that growth and boost production." In the UK, the emphasis is almost entirely on the leisure market. Mr Nick Spratley, Fiat UK's light commercial vehicle marketing manager, says it is currently a very small market which is why in 1989 Fiat expects to bring in only 45 to 50 Ducato 4x4s into Britain, at a premium of around £2,000 over and above the equivalent price for 4x4 versions

Fiat will be part of a small vanguard, along with Renault and VW, forming and then expanding this new

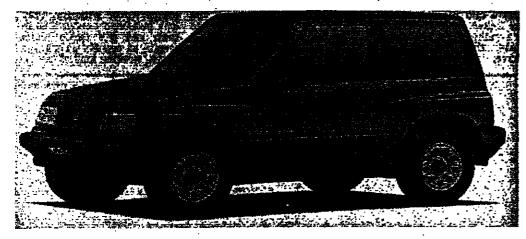
marketing niche

However, he emphasises that Fiat is not alone in introducing four-wheel drive light commercials. Along with Renault's Trafic 4x4 and VW's Transporter Syncro, Fiat will be part of a small vanguard forming and then expanding this new marketing niche, he says. Bedford and Peugeot also have plans to introduce 4x4 commercials in the near future.

"My gut feeling is that initially at least, 60 to 70 per cent of Ducato 4x4 sales will go into the leisure area, though we will be researching the pure commercial business market too," says Mr Spratley.

The Santana project in Spain

## A switch of drivers



The Suzuki Vitera Metal Top JLX

SUZUKI, the Japanese vehicle maker, is gradually strengthen-ing its grip on Land Rover Santana, the publicly-quoted Spanish producer of four-wheal

It is still unclear what role British Aerospace - through its Rover Group subsidiary intends to play in the company in the future, but the fact that it failed to subscribe to a recent rights issue indicates that its ties with the company are weakening.

Land Rover Santana recently completed a one-for-three rights leave to raise Pta 2hn, which was underwritten by Suzuki. As a result of the share issue, Suzuki has leap-frogged Rover and has become the largest single shareholder, increasing its whose of the continuous. ing its share of the equity from 20 to 31 per cent. At the same time, Rover Group's stake has diminished to only 22 per cent

from the previous 31 per cent. There has been repeated speculation that Suzuki will speculation that Suzuki will buy out the stake from Rover Group, with which Land Rover Santana does not have a particularly close relationship. According to a recent report from County NatWest Woodmen, the stockbroking arm of the NatWest investment bank, "there is ample scope for Suzuki and Land Rover Santana to cement a relationship similar to that of Nissan and Motor Iberica."

Motor Iberica."
Spain's Nissan Motor Iberica. in which Nissan Motor; in which Nissan Motor; Japan's second largest automotive group, holds a stake of around 70 per cent, has become the Japanese whiche maker's bridgehead in West Europe for the production of light com-

bridgehead in West Europe for the production of light com-mercial and four-wheel drive leisure/ntility vehicles. Land Rover Santana produc-tion in 1988 was virtually unchanged at 28,465 compared with 28,662 a year earlier. The marginal declins was due to a small drop in output of Suzuki vehicles following the scares last year about the stability of the Suzuki SJ 410 and 413 series.

in June last year the Con-sumers' Union of the US launched an attack on the safety of the Suzuki four-wheel drive vehicles, claiming that they rolled over too easily. This was followed by similar

the Consumers Association joined the US organisation in calling for a ban on further

Suzuki denied that the vehicles were dangerous and said that the "wheel-lift" tendencies during cornering were due to excessively rigorous testing. Its stance was later backed by the authorities in both the US and the UK, which rejected the consumer groups' calls for a read of the models, but come demand the delayed. but some damage had already been inflicted in the market place with sales weakening in both finly and the UK, Land Rover Santana's most impor-

Royer Santana's most impor-tant export markets.

Suzuki sales have since rebounded in Italy and Spain.

According to County NatWest, sales in Italy reached 978 units in January, the highest monthly sales since July 1967, and Santana is reporting higher orders from dealers. This change in demand and in

This change in demand and in orders has brightened the outlook for Land Rover Santana — and the company is arguing that the third quarter was a one-off decline, not the sign of long-term problems.

Production of Suzuki four-wheel drive vehicles by Land Rover Santana in Spain fell by 3.4 per cent last year to 22,362 from 23,158. The Suzuki vehicles still accounted for the lion's share or close to 80 per cent of the company's production, however.

Moreover, Suzuki production at Land Rover Santana is scheduled to increase by more than 190 per cent as facilities are installed to build a second are instance to build a second four wheel drive model range.
Suzuki is planning to build 24,000 Vitara vehicles at the Sentana plant starting in January 1990. The L6 litre vehicle is intended to complement the smaller Suzuki SJ 410 and 413 and 413

series.

Snzuki sells 120,000 vehicles
a year in West Europe and
Vitara sales are likely to be
substantially in excess of the 24,000 a year to be produced in Spain. European demand for the vehicle, which was launched last year, will be met initially by imports from Japan where Suzuki is building the Vitara at a rate of 180,000 units

allegations in the UK where of Suzuki's Spanish-built vehicles is around 60 per cent. The proceeds of the recent share issue are largely earmarked for the increase in capacity necessitated by the introduction of the Vitara

> According to County Nat-West, the company argues that it will "substantially boost" profits in both 1989 and 1990. The Land Rover Santana vehicle plant is located at Linares in the province of Jaen. Some Pta 12bn is being invested in the plant from 1988 to 1991 which should more than double the plant's capacity for building Suzuki vehicles to well in excess of 41,000 a year. A major item in the expansion is the building of a new Pts 4bn paint shop, the most aignificant production

bottleneck. This should be completed by mid-1989. Santana also has a machine shop for making aluminium castings in Manzanares.

The company has an exchisive licence for European production of the Suzuki four-wheel drive vehicles and the right to market the vehicles in Spain, Portugal, France, Italy and Greece. In the UK the distribution is shared 50-50 between Santana and Suzuki.

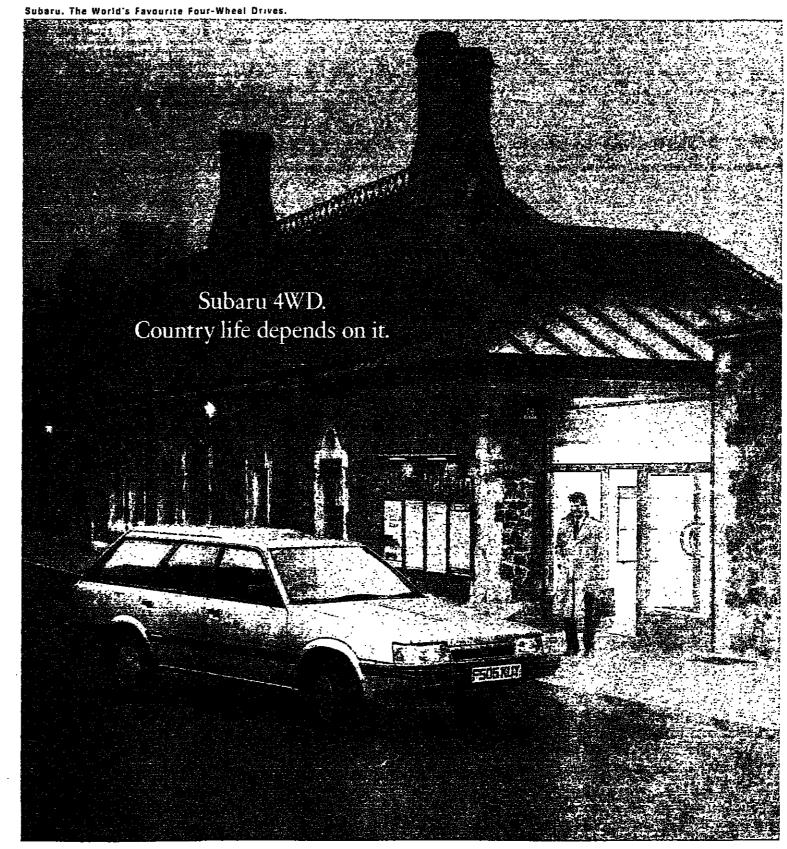
Production of the Suzuki vehicles in Spain began only in 1985, but they have quickly taken over from Land Rovers as the company's principal product line. Land Rover pro-duction — Santana produces

duction — Santana produces an older model range than those produced in the UK — has fallen from more than 18,000 mits a year in 1983 to only 6,083 in 1988.

That was a slight increase in output, however, from the 5,504 vehicles produced in 1987. But while output was higher, sales of the Land Rover models declined both in the domestic Spanish market — to 4,022 from 4,305 in 1987 — and abroad. Exports of the Land Rover vehicles fell to 2,075 from 2,534.

from 2,534. Overall sales of the Suzuki models dropped in Spain to 7,396 from 7,712 in 1987, while export sales fell more heavily

Kevin Done



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Stuart Marshall, Motoring Correspondent, puts some of the leading market contenders through their paces

## On or off the road, the fangs have been drawn

drive market is that most of the buyers of the high clearance, on-off road type never begin to exploit their capabilities.

Equally, those who drive the latest road-going cars with full-time four-wheel drive are probably unaware how much their safety threshold has been

an illustration of how four-wheel drive aids car control than the latest Porsche, the rear-engined 911 Carrera 4, which was designed around all-wheel drive transmission. Its performance is on a par with that of the fiercest Porsche of all, the 911 Turbo. But its fangs have been drawn.

Whereas a 911 Turbo will metaphorically (and sometimes literally) take an inattentive or insensitive driver backwards through the hedge, on wet days especially, the Carrera 4 cares well for the less than skilful. Spreading the engine's torque (pulling power) among four tyre contact patches. instead of two, has a wonderfully calming effect on any car of high power-toweight ratio. Equally, in the harsh world of international rallying, it is no longer possible to be competitive without the traction of four-wheel drive. The Porsche Carrera 4 is

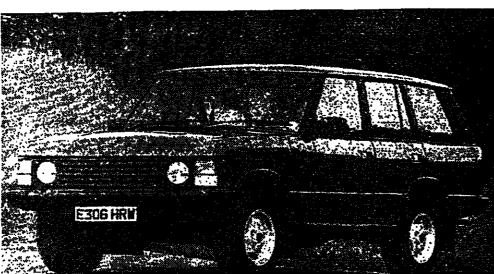
perhaps an extreme example. But the principle applies equally to such cars as the Audi V8 and all other Quattro models; the Mazda 323 Rally (with 16 valves and a turbo charger); the Toyota Celica GT-Four; and many others of the growing band of full-time, four-wheel driven, road-going

In effect, four-wheel drive de-skills winter driving. It becomes unnecessary to nurse a car gently away from a standstill, or tip-toe round corners for fear of breaking tyre grip by applying too much

power and losing control.

There is no consensus among manufacturers about how the power should be divided between front and rear axles, and how much control the driver should be allowed over the transmission.

The original Quattro divided the torque 50-50 and gave drivers the option of locking



The Turbo Diesel version of the Range Rover, which retains its popularity on mainland Europe, still sets the standard for luxury on-off

the central and rear differentials to maximise traction in the severest conditions. Ford took a different view. When it adopted a more sophis ticated form of all-wheel drive for the Sierra and Granada (Scorpio), it decided to bias the power distribution roughly 33 per cent to the front, 66 per cent to the rear. In that way,

the handling balance of a rearwheel driven car was retained. Instead of a mechanical centre differential, Ford used a viscous coupling of a type patented many years ago by Harry Ferguson, the Ulsterman whose lightweight tractor and three-point implement linkage revolutionised agriculture. This either slips or locks

according to traction requirements. If the front tyres are finding more grip than the rear ones, then more than 33 per cent of engine torque is fed them. In theory, it is possible for nearly all the torque to be fed to the front or rear wheels, as the case may

Volkswagen takes a similar attitude to Ford except that the Syncro transmission of its Golf has a front axle bias, making the car feel as though it were front-wheel driven, as a Golf is expected to be.





Mitsubishi's latest Shogun V6 rivals the Range Rover on road and across country, Comprehensively equipped, the Japanese vehicle is considerably less expensive than its UK competitor

The driver has no control over the viscous coupling, which is entirely automatic. In practice, this is probably the best arrangement because if mechanical centre and rear

handling problems.

Mercedes-Benz goes one stage further with its 4-Matic transmission which combines the virtues of both selectable and full-time four-wheel drive,

unnecessarily, it could lead to

at the cost of some complication.

The rotational speeds of front and rear wheels are monitored electronically. When the rear wheels start to slip, however slightly, front wheel

drive is engaged. Then, if necessary, the centre and rear differentials are locked. As soon as traction is regained, first the differentials, then front wheel drive, is disengaged. It all

will be bought mainly as a family's second car and used as a runabout. But it goes across country like a tough off-road machine

happens instantly and several times a second if need be. Drivers of cars with 4 Matic are aware of none of this. Only a glowing light on the fascia indicates that the road is slippery and they should be

Mercedes-Benz's attitude is that all-wheel drive - and the near-essential ABS brakes that go with it - are not provided to permit higher speeds in difficult conditions but to

Driving over really rough terrain - or even off tarmac at all – is something relatively few owners of on-off road vehicles, especially luxury ones like Range Rovers, ever experience.
It is a stimulating experi-

ence. The rules are quite different. In some ways, it is more like riding a horse than driving

gear. Having chosen your path, you spur it on with the right smount of power and then check its progress while you look for the best way to surmount the next obstacle.

Skilled off-road drivers have one aim: to get where they tough, working kind of 4x4.

want to go and back again without getting stuck or damaging their vehicle. They do not go quickly on

rough terrain.
They never touch the brakes,
especially on steep and
slippery downgrades. The
vehicle is held back by the vehicle is held back by the drag of the engine, acting equally on all four wheels, providing it is in the right goar. And they never allow their thumbs inside the steering wheel rim — a sudden jolt could dislocate them.

It is all completely different

could dislocate them.
It is all completely different
from the TV producer's idea of
off-road motoring. Seeing daylight under wheels may be good television — but a tyre grips only when it is in contact with the ground.

Manufacturers of on-off road, four-wheel drive vehicles have

had to develop products that will be used mainly, if not entirely, as car substitutes but must still behave well when

taken across country.

They have been remarkably successful. The Range Rover bas always been renowned for its cross-country mobility combined with more than acceptable comfort on hard roads. When launched nearly 20 years ago, it had no rivals but now it

has several.

One is the latest Mitsubishi Shogun (Pajero) with a 3-litre, fuel-injected V6 engine, inde-pendent front suspension and coil-sprung rear axle. It compares well with a Range Rover for road-going performance and refinement and costs much less. The Isuzu Trooper is another import offering close to Range Rover amenities at not much more than Lord Power release.

than Land Rover prices.
The Japanese makers have particularly excelled in making diesel engined on-off road vehicles as pleasant and nearly as quiet to drive as their petrol powered counterparts.

Newcomers such as the Suzuki Vitara and Daihatsu To tackle an obstacle you present your vehicle at it straight and in the correct gear. Having chosen personnel.

They cannot, of course, pull two hunters to a meet, as a Range Rover will. But they look fashionably countrified in town and will tackle rough terrain as capably as many a

# The new Sierra GLS 4x4. Make the most of 4 wheel drive with a six cylinder engine.

By now most people know what four wheel drive can do. How it gives you extra grip, especially when the roads are wet, and how it helps you comer with even greater safety and precision even when they're dry.

Ford, of course, were among the first to introduce four wheel drive in a normal road going car, as opposed to a specialist rally machine. We introduced the XR 4x4 back in 1985. So the engineering is thoroughly proven.

Now the new Sterra GLS 4x4 brings the advantages of the system further down the price range.

And the beauty of it is that, unlike most other four wheel drive cars, the Sierra GLS still has the powerful, fuel injected 2.9 litre V6 engine with 150 horsepower.

With the performance this gives you, you can really appreciate the extra grip.

The Ford four wheel drive system is also different from most others in that it splits the power 33% to the front wheels and 67% to the rear, not half and half

This makes the car handle more like a rear wheel drive car, which is how most sporting drivers like it. It's more predictable that way.

Apart from that, the GLS 4x4 is equipped much like the normal GLS, with features like electric front windows, electric door mirrors, central locking, tilt/slide sunroof and four speaker electronic self/seek sound system all standard.

It's also worth remembering in a car which clings to the road so well that anti-lock brakes are also available as an option. After all they're especially valuable in our typical wet British weather.

You can also order an electrically heated windscreen, another Ford innovation and a good winter feature.

For more information on the GLS 4x4 and the rest of the Ford range you can call the Ford Information Service free on 0800 01 01 12.

Or, better still, drop in and see your Ford dealer. He'll show you why our four wheel drive hits the rest for six



Drive on the bright side

